MONTANA

Legislative Budget Analysis 2009 Biennium

Volume 4—Agency Budgets

Health and Human Services (Section B)

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Legislative Budget Analysis

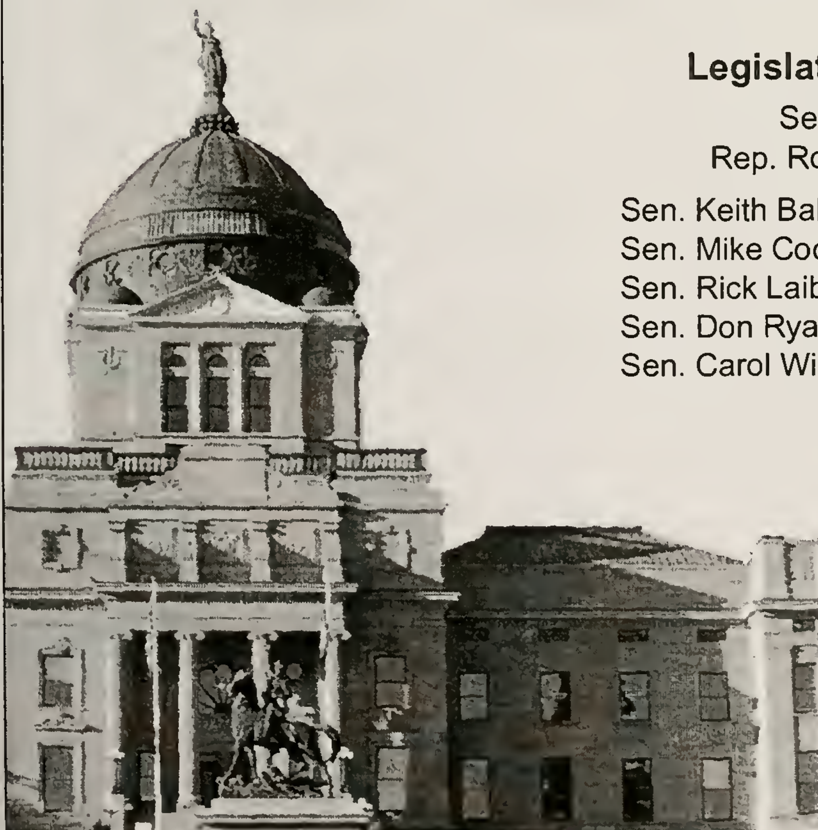
2009 Biennium

Volume 4 – Agency Budgets

Presented to the Sixtieth Legislature

Submitted by the

Legislative Fiscal Division



AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

- Legislative Branch
- Consumer Counsel
- Judiciary
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor
- Transportation
- Revenue
- Administration
- Public Defender
- Montana Consensus Council

HEALTH AND HUMAN SERVICES (Section B)

- Public Health and Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

- Fish, Wildlife, and Parks
- Environmental Quality
- Livestock
- Natural Resources and Conservation
- Agriculture
- Commerce

CORRECTIONS AND PUBLIC SAFETY (Section D)

- Crime Control Division
- Justice
- Public Service Regulation
- Corrections
- Labor and Industry
- Military Affairs

EDUCATION (Section E)

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Commissioner of Higher Education
- Community Colleges
- University Units and College of Technology
- Agricultural Experiment Station
- Extension Service
- Forestry and Conservation Experiment Station
- Bureau of Mines & Geology
- Fire Services Training School
- Montana Arts Council
- State Library Commission
- Montana Historical Society

LONG-RANGE PLANNING (Section F)

- Long-Range Building Program
- State Building Energy Conservation
- Treasure State Endowment Program
- Treasure State Endowment Regional Water System
- Renewable Resource Grant & Loan Program
- Reclamation & Development Grant Program
- Cultural and Aesthetic Grant Program
- LRB Consolidated Information Technology Pgm

Where can you find each section in the *Legislative Budget Analysis 2009 Biennium*, Volumes 3-7?

Volume 3 contains Section A
Volume 4 contains Section B
Volume 5 contains Section C
Volume 6 contains Section D
Volume 7 contains Sections E & F

AGENCY BUDGET ANALYSIS (ROAD MAP)

The purpose of the "Agency Budget Analysis" (LFD Volumes 3 and 4) is to provide a resource for legislators and members of the public to understand and allow for action on state agency budgets. It is designed to be a working document for use by the joint appropriations subcommittees. It does this by:

- Detailing components of the executive budget
- Raising budget and other issues for legislative consideration

This section provides a roadmap for using the Agency Budget Analysis volumes by discussing each component.

BUDGET TIERS

The section is constructed based on the statutory requirement that the budget be presented in three tiers:

1. Base budget;
2. Present law budget; and
3. New proposals.

(For a further explanation of these tiers and how they are derived, see page 1 of the "Reference" section in Volume 1, or the publication entitled "Understanding State Finances and the Budgeting Process", available through the Legislative Fiscal Division and on the Internet at http://leg.state.mt.us/css/fiscal/reports.asp) The analysis is presented in such a way as to allow the legislature to see and act on each present law adjustment and new proposal made to the base budget to derive the executive budget, by summarizing and raising issues with those adjustments.

LEGISLATIVE FISCAL DIVISION (LFD) ISSUES AND COMMENTS

While LFD staff has written the entire analysis document, parts are meant strictly to explain what is in the executive budget in a way that does not justify or advocate the executive position.

The heart of the analysis is in two areas:

1. The LFD issues and comments provided on the proposed budget. If the LFD analyst has raised an issue with anything contained in the executive budget or with any other aspect of agency operations and expenditures, it is included as an "LFD Issue". The analyst may also provide additional information to aid the legislature in its decision making under the heading "LFD Comment". All issues and comments are clearly identified in the narrative; and
2. Other issues and options. In order to provide the legislature with alternatives to the executive budget, as well as budget-making flexibility, LFD staff has provided other issues and options for consideration by the legislature.

COMPONENTS OF THE AGENCY BUDGET ANALYSIS

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative; and
2. The program narrative.

Agency Narrative

The agency narrative provides an overview of the executive budget and other issues and options for that agency. Since the legislature appropriates at the program level, only issues raised in the analysis with an agency-wide or multiple-program impact are discussed at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the executive budget request by year, including separate columns showing present law adjustments and new proposals. The reader can use this table to not only get a general idea of the size and funding of the agency, but also view any changes proposed by the Governor.
2. **Agency Description** is a brief description of the agency.
3. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
4. **Agency Discussion** provides additional information or overarching discussion. In addition, if the previous legislature funded any new initiatives of an agency-wide nature, a brief update is provided.
5. **Funding** is a table and related discussion that shows the total biennium funding, by program and fund type, proposed by the Governor.
6. **Biennium Budget Comparison Table** compares adjusted actual FY 2006 expenditures and appropriations for FY 2007 (the 2007 biennium base) to the 2009 biennium executive budget so the reader can get a general sense of the change between biennia.
7. If included by the executive, a discussion of the following two types of proposals is included, each with LFD comments as appropriate:
   - **Supplemental Appropriations** discusses supplemental appropriations recommended by the Governor for FY 2007, or supplemental appropriations approved in FY 2006
   - **Reorganizations** details any major reorganization that took place in the 2007 biennium or is proposed by the executive for the 2009 biennium
8. **New Proposals Summary Table** summarizes all executive new proposals for the agency. An explanation of and comments on each of the new proposals is included in the relevant program narratives.
9. **Language** includes any agency-wide language proposed by the executive.
10. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the agency. This section is designed to alert the legislature to other legislation not included in HB 2 that could have a bearing on the agency budget and operation.
11. **Agency Issues** is a discussion by the LFD analyst of any identified agency-wide or multi-program issues. Otherwise, all discussions of adjustments and attendant issues are included in the relevant program narratives.
12. **Elected Officials New Proposals** lists new proposals advocated by agencies headed by either an elected official or the Board of Regents but not included in the executive budget.

Note: The main and biennial budget comparison tables, the agency description, and the highlights and funding tables are included in each agency narrative. However, the other components are "optional", indicating they are included only if circumstances warrant.

Program Narrative

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including the adjusted FY 2006 base used to derive the budget, the total present law adjustments, new proposals, and the total executive budget, by fiscal year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst. If the previous legislature funded any new initiatives, a brief update is provided.
5. **Funding** details program funding as proposed by the executive, and any issues raised by the LFD analyst.
6. **Program Reorganization** details any program reorganizations that took place in the 2005 biennium or that are proposed by the executive for the 2009 biennium.
7. The **Executive Present Law Adjustments Table** delineates the major present law adjustments included by the executive, by fiscal year and funding source. The table is divided into two sections:
   - Statewide present law adjustments, which include most personal services adjustments, the executive's vacancy savings recommendation, and adjustments due to fixed costs and inflation
   - Other present law adjustments proposed by the executive
8. **Executive Present Law Adjustments** discusses each adjustment proposed by the executive in more detail. The section begins with a brief discussion of the factors that drive the statewide present law adjustments, as needed. This paragraph is followed by a description of each adjustment proposed by the Governor. The LFD analyst writes the adjustment descriptions based upon justifications submitted by the executive. It should be noted that it is the responsibility of the LFD analyst to explain a requested change, but not to advocate for or attempt to justify that request. If the LFD analyst has raised an issue with the adjustment, it is presented when the adjustment is discussed.
9. The **New Proposals Table** shows each new proposal requested by the executive, by fiscal year and funding source.
10. **New Proposals** discusses each new proposal in more detail. If the LFD analyst has raised an issue with the proposal it is presented with that new proposal. As with present law adjustments, the LFD has written these explanations based upon submissions by the executive. For certain new proposals (and significant present law adjustments), a discussion submitted by the agency (with editing for clarity and brevity by LFD staff) is included that discusses goals, performance criteria, milestones and timetables, and other information designed to provide the legislature with information with which to evaluate the proposal. LFD staff provides any comments or issues with the submission.
11. **Language** recreates any program specific language proposed by the executive, with LFD comments as appropriate.
12. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the program.
13. **Other Issues** contains any issues identified by the LFD analyst unrelated to a specific present law adjustment or new proposal.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the executive must review enterprise funds and the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides the following:

1. A **Fund Balance Table** shows actual and projected rates, revenues, expenditures, and fund balance through FY 2009; and
2. **Narrative** contains a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate. The LFD analyst addresses any issues and comments as appropriate.

STATEWIDE PRESENT LAW ADJUSTMENTS

"Statewide Present Law Adjustments" are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the "statewide" section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. The Legislative Finance Committee (LFC) will make a recommendation on these and other adjustments to appropriations leadership.

Personal Services

Personal services costs are derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. A number of underlying factors will make the 2009 biennium personal services costs different from actual FY 2006 costs. The most important are:

2007 Biennium Pay Plan and Other Benefits

The 2005 legislature adopted a pay plan that, among other features, provided two increases.

1. An overall increase in pay of 3.5 percent (or $1,005, whichever is greater) in FY 2006 and a further increase of 4.0 percent (or $1,118, whichever is greater), both beginning on October 1 of each year.
2. An increase in insurance rates of $46 per month beginning on January 1, 2006 and a further increase of $51 per month on January 1, 2007 (the increases for the Montana University System begin on July 1 of each fiscal year).

Since the pay plan was increased in FY 2007 and not fully implemented in the base year, adjustments were made to each employee's compensation to reflect actual agency costs in the 2009 biennium. In addition, any changes made to benefits that an agency must pay directly to or in support of an employee, such as pension, or unemployment and workers' compensation insurance, are automatically reflected in the present law personal services.

Vacancy Savings

Vacancy savings is a reduction in personal services costs that results when positions are not filled for the entire year. Vacancy savings will fluctuate within agencies and programs from year to year. In order to provide the legislature with the opportunity to make all policy decisions regarding vacancy savings, each position is funded as if the position were filled for the entire year, regardless of any vacancy savings that may have occurred in FY 2006.

Termination Pay

Costs incurred by agencies due to termination of employment, such as accrued sick or annual leave, are not included in present law.

Classification Upgrades/Downgrades

All upgrades and downgrades of individuals or classes of positions authorized during the biennium through the "snapshot" date (July of FY 2006) are included in present law.

Any adjustments to personal services from sources within the control of the executive, such as overtime, new or deleted positions, or proposed transfers, should not be included in the statewide adjustments. If the LFD analyst has identified any of the adjustments in the statewide adjustment line, they are discussed as an LFD issue or comment.

Vacancy Savings

The executive has proposed a 4 percent vacancy savings rate on all salaries and benefits, including insurance, for most positions. Exempted positions include university system faculty, and those in agencies with fewer than 20 full-time equivalent positions, the Judiciary, the highway patrol, and the Legislative Branch.

Inflation/Deflation

The executive budget has inflated or deflated certain operating expenses. Each agency budget is automatically adjusted to add inflation to or subtract deflation from the relevant expenditure items. Therefore, changes to inflation/deflation amounts in the agencies can only be made through an adjustment to the actual expenditure against which the inflation/deflation is applied, rather than to the inflation/deflation factor, itself.

Note: A complete listing of expenditure categories inflated or deflated in the executive budget has been included in the "Reference" section.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations must be made through a change to the service agency budget, or to the allocation method used by the service agency. The General Government and Transportation Subcommittee will review the fixed costs proposals.

Note: A complete listing of all fixed costs is included in the "Reference" section of Volume 1.

HEALTH
AND
HUMAN SERVICES

Section B

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

--------------Agencies--------------

Public Health & Human Services

--------------Committee Members--------------

House	Senate
Representative Edith Clark (Chair)	Senator John Cobb
Representative Joey Jayne	Senator Greg Lind
Representative Penny Morgan	Senator Dan Weinberg

--------------Fiscal Division Staff--------------

Lois Steinbeck
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Agency Proposed Budget

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	2,780.42	38.60	56.30	2,875.32	38.60	102.99	2,922.01	2,922.01
Personal Services	126,592,810	13,935,014	2,518,606	143,046,430	14,799,797	5,229,615	146,622,222	289,668,652
Operating Expenses	85,127,745	5,608,217	5,495,541	96,231,503	6,166,754	4,397,661	95,692,160	191,923,663
Equipment	501,698	34,001	215,000	750,699	34,001	145,000	680,699	1,431,398
Capital Outlay	53,007	0	450,000	503,007	0	0	53,007	556,014
Grants	58,784,995	1,776,175	7,357,012	67,918,182	1,776,175	7,092,783	67,653,953	135,572,135
Benefits & Claims	982,705,001	130,517,816	54,310,296	1,167,533,113	184,507,242	54,726,443	1,221,938,686	2,389,471,799
Transfers	0	0	0	0	0	0	0	0
Debt Service	591,429	3,030	2,700	597,159	3,300	66,000	660,729	1,257,888
Total Costs	**$1,254,356,685**	**$151,874,253**	**$70,349,155**	**$1,476,580,093**	**$207,287,269**	**$71,657,502**	**$1,533,301,456**	**$3,009,881,549**
General Fund	307,876,614	46,534,288	20,780,851	375,191,753	61,211,606	22,593,751	391,681,971	766,873,724
State/Other Special	74,251,264	22,016,329	13,143,565	109,411,158	22,784,410	13,301,631	110,337,305	219,748,463
Federal Special	872,228,807	83,323,636	36,424,739	991,977,182	123,291,253	35,762,120	1,031,282,180	2,023,259,362
Total Funds	**$1,254,356,685**	**$151,874,253**	**$70,349,155**	**$1,476,580,093**	**$207,287,269**	**$71,657,502**	**$1,533,301,456**	**$3,009,881,549**

Agency Description

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Agency Highlights

Department of Public Health and Human Services
Major Budget Highlights

- The DPHHS budget request grows $501.2 million over the biennium compared to the FY 2006 base budget, including $151.1 million general fund and $71.2 million state special revenue
  - The cost to maintain present law services, particularly benefits and services for individuals is about three quarters of the total increase ($315.0 million)
  - Changes in Medicaid services alone account for $282.5 million or 56.4 percent of the total DPHHS biennial increase
- Major general fund increases over the biennium are:
  - Medicaid changes
    - Present law caseload – $52.1 million
    - Federal match rate reductions – $25.6 million
    - New proposals to expand services - $4.3 million
  - State institution increases
    - 36.60 new FTE, inflation in operating costs, and fully

funding personal services for the state hospital – $8.7 million
    - A new 120 bed program to treat forensic patients with a severe and disabling mental illness - $3.9 million
    - Operating cost inflation and personal services adjustments to fully fund positions and annualize the 2005 biennium pay plan for all other state institutions - $2.5 million
  - Chemical dependency community services expansions - $3.9 million to expand services to treat 184 persons with methamphetamine and other addictions and to support private efforts to prevent methamphetamine use
  - Other benefit general fund increases include:
    - Foster Care and Subsidized Adoption - $9.5 million
    - DD Provider Rate Rebasing / Increases - $8.8 million
    - Low-income Energy Assistance Program- $3.0 million
- Major changes in state special revenue funds over the biennium are:
  - Medicaid changes, largely funded from the health and Medicaid initiatives account
    - Annualization of 2007 biennium provider rate increases and service expansions - $17.2 million
    - Proposed 2009 biennium provider rate increases - $17.1 million
    - 2009 biennium service expansions - $1.4 million
  - Big Sky Rx (prescription drug premium assistance for low-income Medicare eligible persons) - $15.3 million
  - State institution cost increases to fund 11.80 new FTE, inflation in operating costs, and fully fund personal services - $9.5 million
  - Children's Health Insurance Program (CHIP) - $3.7 million to support state administration of the program and raise enrollment from 12,019 to 13,900
- Major changes in federal funds are due to:
  - Medicaid caseload, provider rate increases, and annualization of 2007 biennium expansions - $164.3 million
  - Food stamp benefits - $32.6 million
  - CHIP - $13.0 million to support state administration and enrollment increases

Major LFD Issues

- Mental health expansions are centered around controlling the population of the state hospital
  - The initial details explaining the new 120 bed Secure Treatment Examination Program (STEP) were released for the first time in the final Governor's Budget
- Costs for DPHHS administration of the CHIP program appear to be greater than comparable costs to purchase a fully insured product
  - Services costs are anticipated to increase substantially and may be overstated allowing additional enrollment
  - CHIP enrollment during the 2007 biennium lagged legislative expectations
  - The legislature may need to consider alternatives in either outreach efforts or eligibility levels if it accepts the executive recommendation and desires an enrollment level of 13,900 or greater
- Big Sky Rx enrollment projections are excessive and at a minimum may be $8.4 million higher than needed to fund optimistic enrollment increases
- Some of the executive request for funding from the health and Medicaid initiatives account does not comply with statute including:

- Use of account funds to support CHIP administrative costs, a reserve fund, and enrollment below 10,631
- Use of account funds to pay the federal match rate reduction for Medicaid present law services

♦ Medicaid nursing home funding lacks transparency
- It is difficult to tell how much general fund should be allocated to support 2009 biennium costs, which are estimated to decline

♦ The TANF block grant is placed in a deficit position in the 2011 biennium

♦ The executive proposes to use tobacco prevention and cessation state special revenue funds for uses not included in statute

♦ Vacant positions in the Quality Assurance Division impact the division's ability to maximize reductions in inappropriate Medicaid payments

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2007 biennium
- Goals and objectives and their correlation to the 2009 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

The executive budget request for the Department of Public Health and Human Services (DPHHS) grows $501.2 million total funds ($151.1 million general fund) over the biennium. Budget growth is driven largely by changes in services for individuals, which add $424.1 million over the biennium or 84.6 percent of the total. And present law adjustments to maintain current level services are a bigger source of change than new proposals adding $359.2 million ($107.7 million general fund) over the biennium. FTE increase 141.59 from a base level of 2,780.42.

The major cost drivers in the 2009 biennium budget are:

- Medicaid eligibility and service increases, annualization of 2007 biennium initiatives, and some 2009 biennium expansions add $282.5 million total funds, including $81.5 million general fund
- Other service increases for larger benefit programs such as food stamps, Children's Health Insurance Program (CHIP), child care, and foster care add $139.2 million total funds, including $20.0 million general fund
- Institutional increases for overtime, operational cost inflation, and a new 120 bed program for mentally ill forensic patients support 90.90 new FTE and add $21.0 million total funds, including $14.6 million general fund

Medicaid Services Drive Costs

Medicaid service expenditures are the single largest cost driver in the DPHHS budget, with $744.8 million in base budget expenditures, which does not include Medicaid administrative costs. The executive budget request for Medicaid services adds $282.5 million over the biennium compared to base budget costs, including $81.5 million general fund.

Figure 1 shows the components of the 2009 biennium Medicaid services budget request. The base budget is doubled to explain the biennial change.

Figure 1

Medicaid Increases Requested in the 2009 Biennium Executive Budget by Type of Change

Component of Medicaid Appropriation	General Fund	SSR	Federal	Total	Percent of Total
FY 2006 Base Budget (Doubled)	$330,646,496	$73,322,682	$1,085,633,447	$1,489,602,625	84.1%
Caseload, Service Utilization, Inflation	52,088,995	545,136	80,038,042	132,672,173	7.5%
Annualization - 2007 Biennium Expansions	(1,534,117)	17,242,371	62,967,833	78,676,087	4.4%
Rate Increases	1,014,775	17,137,397	33,535,354	51,687,525	2.9%
Service Expansions	4,312,028	1,366,509	13,751,161	19,429,698	1.1%
Federal Match Reduction/State Increase	25,639,068	335,094	(25,974,162)	0	0.0%
Efficiencies and Reductions	0	0	0	0	0.0%
Subtotal Biennial Increases	$81,520,749	$36,626,506	$164,318,228	$282,465,483	15.9%
Percent Increase Over Base Year Doubled	24.7%	50.0%	15.1%	19.0%	
Total 2009 Biennium Request	$412,167,245	$109,949,188	$1,249,951,675	$1,772,068,108	100.0%

Continuation of Medicaid programs at present service levels costs $1.7 billion (including $406.8 million general fund) over the biennium, nearly 56.7 percent of the total biennial request for the agency. Executive requests for provider rate increases and service expansions adds $71.1 million total funds over the

biennium or about 4.0 percent of the total increase. The expansions raise general fund by about $1.0 million general fund and state special revenue by $17.1 million.

Clearly, if the legislature can modify Medicaid spending, it can have a major impact on the DPHHS budget. A 1 percent change in Medicaid services costs, excluding $233.8 million in provider taxes, county nursing home match, and 100 percent federal pass-through to Indian Health Services and schools, would alter DPHHS spending by $15.4 million over the biennium, including $4.8 million in state matching funds.

Federal/State Medicaid Services Match Rates

The federal Medicaid match rate is determined by a formula that compares a state's per capita income to national per capita income. Since Montana per capita income has improved, the federal Medicaid match rate has declined, necessitating an increase in state funds to maintain the same level of services. The state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and 31.49 percent in FY 2009 for most Medicaid services. Each 1.0 percent change in the match rate equals about $16.6 million for the executive Medicaid services request over the 2009 biennium. The Medicaid match rate change also affects the match rates for federal Title IV-E funding for foster care and the match rate for the Children's Health Insurance Program (CHIP).

Executive 2009 Biennium Medicaid Services Cost Estimate Likely to Decline

Medicaid cost estimates have been unusually problematic over the 2007 biennium due to a speed up in claims payment in October and November 2005. The claims payment contractor, with DPHHS approval, began using an optical scanner to eliminate a backlog of about 50,000 paper bills (most Medicaid bills are submitted electronically). Elimination of the backlog made October and November payments higher than normal compared to previous years and the total FY 2006 cost was also affected. Also, since the backlog was spread over many service types, it was difficult to isolate the impact.

Medicaid cost estimates are based on historic cost trends, so the speed up in claims payment made it appear that Medicaid costs were growing at a much higher rate in FY 2006 compared to previous years. It became difficult for DPHHS to determine the true underlying cost trend for future years from the amount related to the one-time spike in FY 2006.

DPHHS estimates Medicaid costs each month. After the executive budget was submitted on November 15, DPHHS received updated claims data. DPHHS briefed legislative staff on the cost projections based on the updated data, which appear to be lower than the estimates included in the executive budget, by at least $2.0 million general fund over the biennium. The one-time aberration in claims payment began to recede in November 2006 and should be more transparent when Medicaid cost estimates are updated during legislative consideration of the executive budget.

Figure 2
Selected Benefit Increases - DPHHS 2009 Biennium Budget

Major Benefit	General Fund	SSR	Federal	Total	Percent of Total
Medicaid	$81,520,749	$36,626,506	$164,318,228	$282,465,483	67.0%
Food Stamps	0	0	32,608,790	32,608,790	7.7%
CHIP	0	3,723,544	13,186,283	16,909,827	4.0%
Big Sky Rx	0	15,288,320	0	15,288,320	3.6%
Foster Care/Adopt	7,890,372	0	6,431,890	14,322,262	3.4%
LIEAP	2,980,319	475,248	6,548,930	10,004,497	2.4%
Child Care	4,161,976	0	4,823,759	8,985,735	2.1%
TANF Cash Assistance	0		8,095,874	8,095,874	1.9%
DD -Non-Medicaid	1,158,810	-	399,836	1,558,646	0.4%
Meth/CD Treatment	3,853,588	0	0	3,853,588	0.9%
Bioterrorism	0	0	3,983,905	3,983,905	0.9%
Housing			966,000	966,000	0.2%
Remainder				22,600,680	5.4%
Total	$101,565,814	$56,113,618	$241,363,495	$421,643,606	100.0%

Other Benefit Cost Increases

Growth in benefits and services costs is 84.6 percent of the total change between the FY 2006 base budget and the 2009 biennium. Figure 2 shows the major changes in benefit categories that account for at least 0.2 percent of the total change.

As discussed, Medicaid is the largest component at 67.0 percent. The next major component is food stamp benefits, which rise $32.6 million over the biennium from a base cost of $90.0 million due to anticipated eligibility increases. CHIP costs grow $16.9 million from a base budget of $19.5 million to fund additional enrollment of 1,881 children for total enrollment of 13,900 each year of the 2009 biennium. The executive budget anticipates significant inflation in the cost of CHIP services and includes a reserve fund of $1.7 million to cover high cost cases since DPHHS assumed management of CHIP and financial risk.

Big Sky Rx, a drug premium assistance program for Medicare eligible persons, rises $15.3 million from base budget costs of $0.2 million. Big Sky Rx, established by the 2005 Legislature after voter Initiative 149 (I-149) was passed in November 2004, was implemented during FY 2006. The initiative raised tobacco taxes and allocated a portion to the health and Medicaid initiatives account, which funds Big Sky Rx. Enrollment gains were slower than anticipated during the 2005 legislative session, and enrollment would need to grow exponentially to achieve the level that could be supported by the executive request.

Food stamp benefits rise $32.6 million in federal funds over the biennium from a base budget of $90 million, which served about 422,000 cases. The executive budget adds $12 million in FY 2008 and $21 million in FY 2009. The increased funds anticipates caseload and poverty level adjustments in food stamp benefits.

The Low-income Energy Assistance Program benefits rise $10.0 million over the base year expenditures of about $26.0 million. The increase is primarily due to the Governor's requests for $5.8 million in state special revenue and federal revenue to expend federally funded grants and the Universal Systems Benefits fund, which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities. The Governor also proposes $1.6 million federal authority to expend energy conservation funds. The proposal comes with a request for legislation to change statute to remove a restriction that allows the funds to be spent only if the grants fall below the 1987 funding levels of $11.0 million. The executive also proposes $3.0 million general fund to continue the energy ombudsman program, assist with family asset development, and provide additional low-income energy assistance.

Foster care and subsidized adoption benefits related to caseload increase $14.3 million over the FY 2006 base amount of about $28.0 million, which is the Governor's request to address growth and changes in caseload.

The growth in caseload and expenditures in foster care and subsidized adoption are expected to be challenging in Montana and nationwide. The major reasons for cost changes are related to social worker caseloads and recruiting foster and adoptive parents. The Governor's budget includes funding for a 10.0 percent increase per year in foster care caseload and about an 11.0 percent increase per year in subsidized adoption. There is further discussion in the Child and Family Services Division write-up.

TANF cash assistance benefits increase about $8.1 million over the FY 2006 base of $22.0 million, which is primarily due to the Governor's proposed budget requests of $4.4 million to maintain TANF cash assistance payment levels at 33.0 percent of the federal poverty index (which increases each year), $1.3 million in TANF supportive services, and $2.2 million to accommodate the restructuring of the Blackfeet Tribal TANF plan.

In addition to the increase to TANF benefits, the Governor proposes to use the TANF block grant to supplement the Child Care Program.

Child care benefits increase almost $9.0 million over base expenditures of $26.0 million, including a $4.0 million transfer from the federal TANF block grant to the child care development fund, $5.0 million transfer or funding switch in support of working caretaker relatives, and to address caseload increases and other child care adjustments.

The Governor's proposed use of the TANF block grant places the grant in a deficit position for the next legislature. As of December 2006, the division staff projects the TANF block grant to be $13.0 million at the end of the 2009 biennium. This level would not sustain positive case flow of the block grant through FY 2011 if proposals within the Governor's budget remain through the next two biennia, and the projected FY 2009 grant amount of $38.0 million as well as expenditures remain basically the same. There is further discussion of the TANF block grant and caseload projections in the following section for Human and Community Services.

The executive budget includes a new proposal to expand community treatment for methamphetamine and other chemical dependencies. The program would serve 148 persons per year at a biennial general fund cost of $4.0 million.

Other adjustments to benefits and services are discussed in more detail in the division narratives.

Institutional Costs

Institutional costs are also an important component of the DPHHS budget. Figure 3 shows the FTE level, average daily population (ADP), general fund, and total funds for the base year compared to the executive budget request and to the total DPHHS budget.

Figure 3

State Institutions as a Percent of Total DPHHS FTE, General Fund, and Total Funds Budgets

	FY 2006				FY 2008				FY 2009				Percent	% Incr.
Institution	FTE	ADP	General Fund	Total	FTE	ADP	General Fund	Total	FTE	ADP	General Fund	Total	of Total	from '06
Montana State Hospital	369.80	199	$24,505,773	$24,932,836	406.40	199	$29,007,726	$29,442,827	406.40	199	$28,748,225	$28,823,225	42.1%	15.6%
Developmental Center	268.80	78	15,145,371	15,192,804	268.80	68	14,698,778	14,746,211	268.80	68	14,698,778	14,866,820	21.7%	-2.1%
Nursing Care Center	122.70	80	6,776,312	6,776,312	122.70	81	8,124,421	8,124,421	122.70	81	8,823,753	8,823,753	12.9%	30.2%
Montana Veterans' Home	123.01	105	0	5,922,831	128.81	106	0	8,881,473	128.81	106	0	7,128,766	10.4%	20.4%
Chemical Dependency Ctr.	48.25	50	0	3,434,174	54.25	72	0	4,239,631	54.25	72	0	4,322,807	6.3%	25.9%
Secure Treatment Examination	0.00		0	0	0.00		0	832,316	41.69	60	3,380,803	3,028,740	4.4%	n/a
Eastern MT Veterans' Home	1.00	56	0	1,336,853	1.00	55	0	1,485,372	1.00	55	0	1,428,912	2.1%	6.9%
Total Institution Budget	933.56	568	$46,427,456	$57,595,810	981.96	581	$51,830,925	$67,752,251	1,023.65	641	$55,651,559	$68,423,023	100.0%	18.8%
Percent of DPHHS Total	33.6%		15.1%	4.6%	34.2%		13.8%	4.6%	35.0%		14.2%	4.5%		
Total DPHHS Budget	2,780.42		$307,876,614	$1,254,356,685	2,875.32		$375,191,753	$1,476,580,093	2,922.01		$391,681,971	$1,533,301,456		

Institutional FTE rise from 33.6 percent to 35.0 percent of total DPHHS FTE in FY 2009, partially due to a new proposal that adds 41.69 FTE to develop a 120 bed facility for persons with a severe and disabling mental illness who are in the custody of the Department of Corrections or in the custody of DPHHS by virtue of a court determination that they are guilty but mentally ill and due to continuation of 36.60 FTE added at the state hospital due to higher populations than anticipated. Other FTE increases are 5.80 at the Montana Veterans' Home (MVH) and 6.00 at the Montana Chemical Dependency Center (MCDC). General fund supporting institutions declines from 15.1 percent of the total DPHHS FY 2006 base budget to 14.2 percent of the FY 2009 budget request, despite increasing $9.3 million.

Overall, institution costs grow 18.8 percent from the FY 2006 cost, partially due to new FTE. Other cost increases are related to fully funding the pay plan and all vacant positions; and inflation in food, utilities, drug, and medical costs. The Montana Mental Health Nursing Care Center budget increases the most, largely due to personal services adjustments and some operating cost inflation.

The Montana Developmental Center cost decreases 2.1 percent from the base budget, primarily because of efforts to transition its population into the community settings and the closure of Unit 16 AB. While MDC is supported with general fund, it does garner some federal revenue from institutional reimbursements. The average daily population at MDC in FY 2006 was 78, but will be 68 per year in the 2009 biennium with the closure of Unit 16 AB, not all of whom could be Medicaid eligible. Both the general fund and institutional reimbursements are projected to decline over the biennium.

DPHHS transferred $2.8 million general fund from FY 2007 to FY 2006 to cover cost overruns at MSH ($2.1 million) and MDC ($0.8 million). Due to an oversight those costs were not removed from the base budget. Cost overruns were in personal services, which make the base year comparable to FY 2008 and FY 2009 since the costs are requested to continue in both institutions.

The new institution proposed in the executive budget – the Secure Treatment and Examination Program (STEP) - received its public debut in the Governor's budget. The Department of Corrections (DOC) and DPHHS held meetings, initially to address DOC's need for additional beds, beginning in January 2006. While DOC and DPHHS representatives discussed the STEP program in concept with various advisory groups, little was known about the details of the proposal until the final executive budget was published in mid November.

STEP would be initiated in mid FY 2009, after the Dr. Xanthopolis (Dr. X) Building on the Warm Springs campus is renovated. The WATCh program (4th DUI – driving under the influence of drugs) would move from the Dr. X building into the receiving hospital, which would also be remodeled. DOC would be allocated half of the beds and the other half would be for MSH. The entire cost of the STEP program is included in the DPHHS budget. The long range building proposal includes $5.8 million general fund for these renovations.

In addition to 41.69 new FTE requested for STEP, 59.00 FTE would be transferred from MSH. DPHHS has estimated a portion of the annualized cost of STEP, which includes the cost of the new FTE and operating costs for 120 persons. However, the portion of cost that would transfer from MSH is not available. Total FTE to support STEP would be 121.50, since the 41.69 new FTE are only partial year positions. The admission criteria to STEP have not been finalized, so it is difficult to determine whether the 120 bed capacity would be adequate.

Provider Rate Increases

The executive budget includes funding for provider rate increases. The majority of rate increases are for Medicaid services and the state match is funded from health and Medicaid initiatives account state special revenue.

The executive budget states that the funds support a 2.5 percent rate increase for most providers in the first year of the biennium. The rate increase for developmental disabilities (DD) services is as high as 9.7 percent for DD Medicaid services in FY 2009.

LFD ISSUE

Provider Rate Increases

The executive budget does not provide a rationale for the level of provider rate increases granted nor does it provide a rationale for the marked difference in rate increases among providers. It is not possible to determine whether the executive budget considered rate equity across providers and if it did, what guiding principles or policy rationale were used to establish the amount of rate increase between providers.

The executive budget is not sufficient to fund a 2.5 percent rate increase for most services and generally the amount requested in the second year of the biennium is not sufficient to continue the rate increase. Most of the new proposals for Medicaid rate increases do not take service utilization and eligibility increases into consideration, leaving the appropriation short in the second year of the biennium. This issue is addressed in division narratives where it is relevant. Since most Medicaid service estimates will be updated during the session, the legislature can establish whether it will fund a rate increase and if so, how much. At that point, legislative staff can estimate the funds necessary to support a rate increase.

Provider Taxes

The executive budget also includes $29.2 million over the biennium for Medicaid reimbursement from hospital and nursing home provider taxes ($21.9 million) and county nursing home intergovernmental transfers ($7.3 million - IGTs). The state match for these payments is generated by a fee for each day a bed is occupied in a hospital or nursing facility and by county funds used to pay for nursing home services that are transferred to DPHHS. The provider taxes and county funds are used as state match to draw down additional federal Medicaid funds, which are redistributed through rate increases to Medicaid providers.

LFD ISSUE

Legislation Needed to Continue Hospital Tax

The executive budget includes funds to continue the hospital utilization fee as a present law adjustment. However, the statutory authority to levy the fee expires at the end of FY 2007 and the executive has declined to request legislation to continue the fee.

FTE Increases

The number of FTE funded in the executive request rises 141.59 in FY 2009from the base level of 2,780.42. Figure 4 shows the increase by major initiative.

Figure 4
DPHHS FTE Changes - 2009 Biennium

Budget Proposal	FY 2009	Percent of Total
Secure Treatment Examination Program*	41.67	29.4%
State Hospital FTE	36.60	25.8%
Foster Care Field Staff	20.00	14.1%
Chemical Dependency Center	6.00	4.2%
Montana Veterans' Home Staff	5.80	4.1%
CHIP Administration	5.00	3.5%
Adult Mental Health Community Support	5.00	3.5%
Strategic Prevention Grant - CD	2.00	1.4%
CFSD - Staff to Expand the SSI Program	2.00	1.4%
CFSD - Convert Modified FTE to Permanent	2.00	1.4%
Tobacco Prevention	2.00	1.4%
Federal Aging Grants - Ombudsman/Insurance	2.00	1.4%
Adult Protective Services Staff	1.50	1.1%
Methamphetamine/CD Treatment	1.00	0.7%
Behavioral Health Coordinator	1.00	0.7%
Federal Mental Health Data Grant	1.00	0.7%
Diabetes Prevention	1.00	0.7%
Mt Breast & Cervical Cancer	1.00	0.7%
HIFA Waiver Administration	1.00	0.7%
Child Care Licensing	1.00	0.7%
Remaining FTE	3.02	2.1%
Total	141.59	100.0%

*The annualized number of FTE for STEP would be 62.40.

FTE to support adult mental health functions rise the most, for a combined total of 85.27 or 60.1 percent of the total. The increases are:

- 41.67 for STEP
- 36.60 for MSH population at 199 per day (prior to implementation of STEP)
- 5.00 new FTE to help persons who are discharged from MSH transition to community services
- 1.00 FTE to coordinate behavioral health services between DOC and DPHHS
- 1.00 FTE to administer a federal grant for improvement in collection and evaluation of mental health data

The executive budget funds 20.00 new FTE for foster care field staff to address increasing caseloads. The 2005 Legislature took actions to assist DPHHS with foster care workload issues when it reduced vacancy saving from 4 percent to 2 percent in the 2007 biennium and rejected a proposed reduction in staffing that would have removed $0.5 million for FTE support. The 2.00 FTE requested for the SSI Program would make SSI applications on behalf of children who are in the custody of the State of Montana and who are considered to meet the SSI criteria due typically to a physical or mental disability. SSI specialists generated more than $200,000 of general fund savings in the foster care program in FY 2005. The 2.00 FTE request to convert modified FTE to permanent would serve the In-home Services Program in Hill, Blaine, Choteau, Liberty, and Cascade Counties.

There are 9.00 new FTE to support the chemical dependency function. The largest number - 6.00 new FTE for MCDC - would support anticipated institutional population increases. 2.00 FTE would administer a federal grant to develop community prevention initiatives and 1.00 FTE would administer expansion of community services for treatment of methamphetamine and other chemical dependence.

There are 5.80 new FTE for MVH to staff the special care unit and bill for Medicare Part D reimbursement. The budget request funds 5.00 new FTE for DPHHS administration of the CHIP program, which is discussed later.

Finally, 3.0 new FTE are added to administer program activities related to the tobacco prevention activities.

CHIP

The executive budget includes funding for DPHHS to administer CHIP. Previously, the state contracted for a fully insured product, which meant the insurer enrolled children, maintained a provider network both instate and out of state, paid claims, and assumed the financial risk if there were large claims. The 2005 Legislature made statutory changes to allow DPHHS to assume administration of the program, partly to eliminate what was viewed as a potential duplication of administrative expenses when DPHHS costs and the insurers costs were combined.

The executive budget requests $17.5 million additional funds to support DPHHS administration of CHIP and raise enrollment from the FY 2006 base amount of 12,019 to 13,900. Base budget costs were $20.6 million. The budget request also supports 5.00 new FTE, contracted services for enrolling providers and maintaining a provider network and claims payment administration, and a $1.7 million reserve fund to stabilize the program if there are a number of high cost cases.

CHIP enrollment during the 2005 biennium was lower than anticipated by the 2005 Legislature, which appropriated funds to support 13,900 children. Enrollment lagged expectations for a number of reasons, including less aggressive outreach in the beginning of FY 2005, and more recently a change in Medicaid eligibility for children that raised resource and asset limits from $3,000 to $15,000 for a family. The Medicaid change was effective at the beginning of FY 2006 and is expected to move some children from CHIP coverage to Medicaid.

LFD ISSUE

CHIP Budget Issues

Legislative staff has identified several issues related to the CHIP budget request, which are discussed in greater detail in the Health Resources Division. The issues are:

- The stated level of enrollment in the executive budget may not be achievable
- The executive budget may support a higher enrollment than 13,900
- The overall cost of CHIP administration may be higher than when DPHHS contracted for a fully insured product
- Use of health and Medicaid initiative funds for a reserve fund and administrative costs does not comply with statute
- The need for a reserve fund should be closely evaluated

Federal Deficit Reduction Act (DRA)

The impact of the DRA on the 2009 biennium budget varies throughout the agency because not all of the federal regulations implementing the DRA have been promulgated.

The most significant impacts reduce federal reimbursements for targeted case management, child support enforcement, foster care services, and Medicaid services. As of December 2006, there is a potential total impact in federal participation of $19.8 million in the 2009 biennium. The executive budget includes requests of $4.1 million general fund to offset federal reductions in the Child Support Enforcement Division for known impacts of the DRA, and $4.1 million general fund from Child and Family Services in anticipation of final rules. As of December 2006, there are $11.6 million of potential federal funding reductions that are not included in the executive budget.

Targeted Case Management

The most significant reduction would lower federal participation in the cost of targeted case management. Medicaid regulations allow states to target a group to receive case management for defined services as an allowable Medicaid cost. However, department wide federal reimbursement changes in targeted case management services would cost about $11.8 million general fund more over the 2009 biennium to maintain present law services. The most significant programmatic changes that cause the cost shift are:

- Changing the definition of services that qualify for Medicaid reimbursement
- Disallowance of Medicaid reimbursement for case management services provided by child welfare workers
- Disallowance of Medicaid reimbursement for case management services that could be provided by third party payers and could include the State of Montana, which provides general fund supported case management services in the developmental disability system

Child Support Enforcement

The act makes several changes to the Child Support Enforcement Program, which net to an estimated increase of $4.1 million in general fund in the 2009 biennium. These changes have received a final ruling, and are discussed in detail in the Child Support Enforcement section of this volume. The changes:

- Prohibit states from using federal incentive funds received for meeting or exceeding the federal incentive performance measures as a match for federal child support enforcement funding, which have historically been deposited into a state special revenue account and used as the 34.0 percent state match
- Implement a revenue-producing, mandatory fee of $25 annually for child support collection services that states must levy on families that have never received TANF cash assistance, unless the state replaces the revenue that would have been generated, which the Governor has elected to propose.
- Reduce the 90.0 percent federal match for child support paternity testing services from the regular federal match rate of 66.0 percent for other program services

Foster Care Services

In addition to the item mentioned under targeted case management, the bill clarifies the limited circumstances under which a state may claim federal reimbursement for administrative expenses under the Foster Care Maintenance Payments Program, and narrows the licensing requirement for relative caregivers. The Governor requests $4.1 million general fund to address the DRA changes in the budget for Child and Family Services Division.

Other Medicaid Services

In addition to changes in targeted case management, the act reduces reimbursement for school transportation for special needs children to and from Medicaid services. Schools that rely on Medicaid payment for such services would lose $4.0 million in reimbursement.

One change that is expected to lower Medicaid costs alters prescription drug pricing. Medicaid program reimbursement for drugs will be based on manufacturer's cost instead of the average wholesale price. Until states receive federal guidance, it is unknown what impact this change will have.

Opportunities to Tailor Programs

The DRA also provides new flexibility to states to design Medicaid services in ways that previously required more lengthy federal approval processes. States can opt to extend Medicaid services to a group of persons who would be Medicaid eligible, but limit enrollment and services. Previous to the DRA, this type of change would have required submitting an application to waive federal Medicaid regulations to limit enrollment or services and would have required the state to prove that such an action would be cost neutral to the federal government. Now changes can be approved through amendments to state Medicaid plans, which is usually a less cumbersome process.

However, the DRA did not change Medicaid requirements for the early periodic screening, diagnosis, and treatment (EPSDT) requirements for children's coverage, so the new flexibility is more applicable to adult services. Federal EPSDT requirements obligate a state to pay for a service necessary to treat a medical condition if that service is Medicaid reimbursable under federal regulations, even if the service is not part of the state Medicaid plan. Since the DRA does not eliminate the EPSDT requirement for children's services, a state may expand enrollment and limit the number of children enrolled in the expansion, but may not limit services that are provided.

Health and Medicaid Initiatives Account

Voters passed Initiative 149 (I-149) in November of 2004. The initiative increased tobacco taxes and allocated a portion of the increase to the health and Medicaid initiatives account (account). The statute governing the account (53-6-1201, MCA) specifies how the funds may be used including:

- CHIP enrollment expansions
- Prescription drug premium assistance for low-income children, seniors, chronically ill, and disabled persons
- Medicaid service expansions and provider rate increases
- Funding costs of operating Insure Montana, a new program that assists small employers with the cost of providing health insurance, which includes administering a tax credit, purchasing pool, and premium incentive payments and premium assistance payments
- The state match for a Medicaid program for premium incentive payments or premium assistance payments for low-income persons participating in the Montana Comprehensive Health Association (MCHA)

The 2005 Legislature appropriated account funds to implement a prescription drug premium assistance program for Medicare eligible persons, enact a tax credit and establish an insurance purchasing pool to assist small employers with the costs of providing health insurance benefits, expand CHIP, raise Medicaid provider rates, increase Medicaid eligibility for children, provide the state match for three Medicaid programs that require a waiver of federal regulations before a state can initiate the program, and implement a drug discount program. All but two of the new programs were or will be initiated by the end of the 2007 biennium. Those two are:

- Pending approval of the HIFA waiver, which is discussed in the Director's Office budget request
- Initiation of a statewide pharmacy assistance phone line and web site

Statutes governing the account also include language regarding the use of account funds to supplant state revenues for CHIP, Medicaid, and prescription drug assistance programs. Account funds must be used to fund:

- Increased CHIP enrollment above the existing level in the 2005 biennium and above the 2005 biennium appropriations for CHIP
- Increased Medicaid services and provider rates and may not be used in place of general fund for the Medicaid trended traditional level of appropriation for services and provider rates
- A new need-based prescription drug program that does not supplant similar services provided under any existing program

Ending Fund Balance

Figure 5 shows account revenues, expenditures, and ending fund balances from FY 2006 through FY 2009. Revenue estimates are those adopted by the Revenue and Transportation Interim Committee. FY 2007 expenditures are a combination of legislative and executive staff estimates, and the 2009 biennium amounts are those included in the executive budget request.

Figure 5
Health and Medicaid Initiatives Fund Balance - FY 2006 to FY 2009 Budget Request
Tobacco Tax Revenue Dedicated to Health Initiatives

Fund Balance Deposits/Expenditures	FY 2006	FY 2007*	FY 2008*	FY 2009*	Percent of Total
Beginning Fund Balance	$14,836,318	$36,987,741	$43,807,029	$35,202,281	
Revenue/Transfers In					
Tobacco Tax	$38,089,726	$38,075,000	$37,403,000	$36,902,000	
Expenditures					
Medicaid Provider Rates	$8,265,643	$8,043,543			
2007 Biennium Annualization			$10,517,052	$10,275,497	22.2%
2009 Biennium			5,260,284	5,772,683	12.5%
Big Sky Rx	931,071	4,861,324	8,750,000	8,750,000	18.9%
Insure Montana (Premium Assist.)	615,450	5,116,001	6,525,515	6,525,413	14.1%
Medicaid Service Expansion	282,620	3,706,547	4,368,065	4,392,684	9.5%
Health Insurance Tax Credits	1,763,349	3,976,330	4,350,276	4,350,286	9.4%
MHSP/HIFA Waiver	3,152,605	3,347,395	3,193,341	3,193,360	6.9%
CHIP	902,565	2,129,572	2,749,970	2,672,901	5.8%
Federal Medicaid Match Change	0	0	267,560	256,185	0.6%
Other	25,000	75,000	25,685	25,766	0.1%
Subtotal Expenditures	$15,938,303	$31,255,712	$46,007,748	$46,214,775	100.0%
Annual Increase		96.1%	47.2%	0.4%	
Ending Fund Balance	$36,987,741	$43,807,029	$35,202,281	$25,889,506	

*Revenue based on estimates adopted by the Revenue and Transportation Interim Committee. FY 2007 expenditures are estimated by legislative staff. 2009 biennium expenditures are based executive budget request.

The 2005 Legislature took several actions to structure appropriations to ensure that the account had a $25.0 million balance, or as close to that level as possible, prior to significant expenditures being made from the account in FY 2006. The goal was to create an account balance to sustain programs through FY 2011. It took some time for new programs to ramp up and CHIP enrollment was lower than expected, so the ending fund balance in FY 2006 was nearly $37.0 million. Revenues are estimated to decline from $38.1 million in the base year to $36.9 million through FY 2009. However, expenditures rise substantially over the same time period.

LFD ISSUE

Sustainability of Programs Funded From the Account

The executive budget request is nearly triple base expenditures, rising to $46.0 million compared to base expenditures of $15.9 million. The FY 2009 request is $9.3 million higher than annual revenue. The annual FY 2009 budget request could be funded through the end of FY 2011, assuming revenues continued to gradually decline and expenditures remained constant. The account would have an ending fund balance of about $6.0 million under those assumptions at the end of FY 2011. In order to sustain programs funded from the account, the 2009 Legislature would face policy choices to reduce spending from the account, increase revenues in the account, or shift to another state funding source, which would most likely be the general fund.

LFD ISSUE

Issues With Use of the Account - DPHHS

Legislative staff has identified the following issues related to the account:

- Big Sky Rx expenditures are estimated to be below the executive budget request (as discussed previously)
- Some of the account funds supporting CHIP are not in compliance with statutory guidelines
- Use of account funds to pay the state match rate change of the present law caseload cost of initiatives from the 2005 session violates statute

The issues related to Big Sky Rx and CHIP are discussed in the Health Resources Division budget request. Using account funds to pay the 2009 biennium state Medicaid and CHIP match rate changes is discussed here because there are several requests in several divisions.

Use of account funds to pay state match change for rate increases and service expansions authorized by the 2005 Legislature appears to violate 53-6-1201(3)(c) and (5), MCA. The change in Medicaid match rates is part of the trended traditional level of funding Medicaid service changes. And while the service expansions were increases in the 2007 biennium, those changes are now considered part of present law, which does not meet the criteria of using account funds for increased services and provider rates.

If the legislature wishes to fund the Medicaid match rate change from account funds, it should amend the statute to allow that use. Otherwise, the legislature should replace the federal match rate changes with another source of state funds, most likely general fund, if it approves the executive request.

Issues relating to Insure Montana expenditures from this account are discussed in Volume 3, section 3, State Auditor.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding
2009 Biennium Executive Budget

Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	$ 62,637,739	$ 2,797,100	$ 398,430,945	$ 463,865,784	15.41%
03 Child & Family Services	67,590,997	4,786,237	60,944,856	133,322,090	4.43%
04 Director'S Office	5,946,516	628,491	43,543,033	50,118,040	1.67%
05 Child Support Enforcement	7,643,734	3,459,106	9,722,489	20,825,329	0.69%
06 Business & Financial Services Division	7,365,777	1,822,341	8,704,229	17,892,347	0.59%
07 Public Health & Safety Div.	5,353,816	27,769,460	85,138,884	118,262,160	3.93%
08 Quality Assurance Division	4,721,964	382,539	11,320,240	16,424,743	0.55%
09 Technology Services Division	15,011,023	1,434,499	21,867,437	38,312,959	1.27%
10 Disability Services Division	104,897,089	8,911,965	181,625,420	295,434,474	9.82%
11 Health Resources Division	262,594,243	82,115,408	786,199,649	1,130,909,300	37.57%
22 Senior & Long-Term Care	102,389,682	63,113,852	318,431,660	483,935,194	16.08%
33 Addictive & Mental Disorders	120,721,144	22,527,465	97,330,520	240,579,129	7.99%
Grand Total	$ 766,873,724	$ 219,748,463	$2,023,259,362	$3,009,881,549	100.00%

DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. General fund supports one quarter of the 2009 biennium budget request, state special revenue provides 7.3 percent and federal funds are 67.2 percent of total funding. The DPHHS budget request accounts for 38.7 percent of the total executive budget HB 2 request and 24.0 percent of the total general fund request in HB 2.

Individually, the top six DPHHS division budgets exceed most state agency budgets.

Most state funding in the DPHHS budget is used as state matching funds or maintenance of effort (MOE) for programs funded partly with federal funds, including Medicaid, CHIP, some foster care, subsidized adoption and child care services, Temporary Assistance for Needy Families (TANF), and program administrative costs. Figure 6 shows an estimate of the state funds that would be used as state match or MOE. The total amount shown in Figure 6 would be the minimum amount of match because only significant federal programs were included in the chart. At a minimum, $511.1 million general fund (66.7 of total agency general fund) and $129.4 million of state special revenue (58.9 percent total agency state special revenue) is used to secure federal funding in the executive 2009 biennium budget request.

Figure 7 shows the top five funding sources for DPHHS from FY 2004 through the FY 2009 executive request. Together these five funding sources account for over 80.0 percent of the total funding for each year shown. Federal Medicaid matching funds average about 39.0 percent of total funding in each year, followed by general fund, which rises from 21.2 percent of total funds in FY 2006 to 25.5 percent in FY 2009. All of the other funding sources listed contribute less than 9.0 percent of total funds in any one year, including federal funds supporting food stamp benefits and federal Medicaid funds that are passed through to Indian Health Services and schools. In FY 2008, health and Medicaid initiative account funds broke into the top five funding sources, edging out the federal TANF block grant. The remaining funding sources that support DPHHS are discussed in greater detail in division budget narratives.

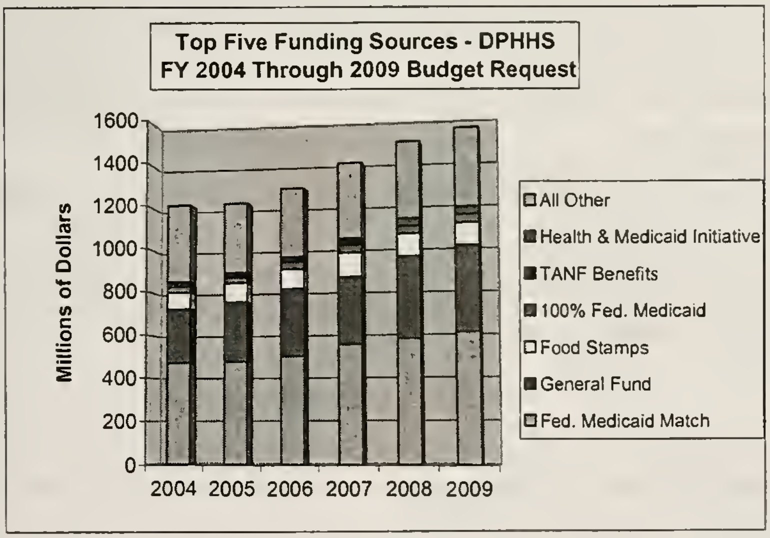
Figure 6

General Fund and State Special Revenue Used as Match or MOE to Receive Federal Funds

Activity	2009 Biennium General Fund	SSR
Medicaid Services	$412,167,245	$109,949,188
CHIP	0	12,998,972
Foster Care	36,961,431	4,528,212
TANF MOE	21,730,842	269,596
Child Care	15,238,192	1,669,728
Direct Admin. Costs	25,445,752	0
Total*	$511,543,462	$129,415,696
Total Agency Request	$766,873,724	$219,748,463
Matching/MOE as a Percent of Total	66.7%	58.9%

*The amount of general fund and state special revenue used as match or MOE is understated. The table includes only matching funds for major federal revenue sources and doesn't include cost allocated administrative costs that would also match federal funds.

Figure 7



Other sources of state special revenue that support in excess of 0.3 percent of FY 2009 costs are:

- Hospital and nursing home utilization fees – 1.5 percent
- Tobacco settlement funds and interest on the tobacco settlement trust fund – 1.1 percent
- Intergovernment county revenue transfers for Medicaid match – 0.4 percent
- Cigarette taxes that support the veterans' homes – 0.4 percent
- Alcohol taxes allocated to support chemical dependency services – 0.3 percent

Other federal sources individually support less than one percent of DPHHS costs in FY 2009, and are discussed in division budget narrative.

LFD ISSUE

Summary of Issues Related to State Special Revenue Services

Legislative staff has identified issues related to some of these funding sources. Health and Medicaid initiatives account funding was discussed previously and an expanded discussion of tobacco settlement funds and interest on the trust fund follows. In summary, other issues that are discussed in greater detail in division budget narratives are:

- Cigarette tax revenues – the executive budget draws down balances and limits the transfer to the general fund below 2007 biennium levels
- Alcohol taxes – the executive budget appropriates more funds than are estimated to be available

Use of Tobacco Settlement Proceeds

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- o Constitutional Amendment 35 requiring not less than 40.0 percent of tobacco settlement money to go to a permanent tobacco trust fund in November 2000
- o Initiative 146 to allocate 32.0 percent of the total tobacco settlement funds to tobacco prevention/cessation programs and 17.0 percent to the CHIP and Montana Comprehensive Health Association (MCHA)

Money not appropriated within two years is transferred to the general fund. The remaining 11.0 percent of the MSA money is deposited to the general fund. The figure below shows the allocation of MSA payments to these state special revenue funds. Revenues, proposed expenditures, and fund balances for these revenue sources are outlined.

Figure 8 shows the executive proposal to spend approximately 75 percent of the revenues for the tobacco treatment and cessation funds and the CHIP/MCHA over the biennium. By statute any funds designated for the tobacco treatment and cessation funds or CHIP/MCHA that are not appropriated to these activities are deposited into the tobacco trust.

Figure 8
Tobacco Settlement Funds
MSA Payment Allocations to State Special Revenue Accounts

Fund Balances, Revenues, Expenditures	FY 2008	FY 2009
32 Percent Tobacco Treatment and Cessation Funds		
Beginning Fund Balance	$2,482,487	$5,221,600
Revenues	11,215,680	11,623,360
Expenditures	(8,476,567)	(8,477,419)
Ending Fund Balance	$5,221,600	$8,367,541
17 Percent CHIP/CHA		
Beginning Fund Balance	$1,282,927	$2,694,532
Revenues	5,958,330	6,174,910
Expenditures - CHIP	(3,722,552)	(3,853,519)
Expenditures - CHA	(824,173)	(925,614)

According to the statute, 32 percent of the total tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. The executive proposes using $761,900 of the tobacco treatment and cessation funds for comprehensive cancer control activities, ischemic stroke care, and diabetes prevention. According to the code commissioner, while these activities are provided for under Article 12, Section IV of the Montana constitution as uses of tobacco settlement funds, including the interest from the trust, they are not lawful according to the statute restricting the use of these funds. This issue is discussed further in Public Health and Safety Division, Chronic Disease Prevention and Health Promotion.

Tobacco Trust Fund Interest

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- o 90.0 percent for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- o 10.0 percent to the tobacco trust

Figure 9 presents information on the revenues, proposed expenditures, and fund balances for the tobacco trust fund interest over the 2009 biennium. As shown, the executive proposes allocating the funds to a number of programs within DPPHS including expanding the use of the interest for diabetes and CVH control, public home health visits, and children's special health services. 11.0 percent of the interest is proposed for these uses in FY 2008 and 19.0 percent in FY 2009.

The executive proposes using the remaining interest to support Medicaid benefits and nursing home services.

Figure 9
Tobacco Settlement Interest

Revenue Expenditures	FY 2008	FY 2009
Beginning Fund Balance	$4,196,391	$4,541,546
Revenues	4,567,000	5,413,000
Expenditures - Hospital & Clinical Services Bureau	(484,406)	(484,406)
Expenditures - Acute Servcies Bureau	(2,154,378)	(2,154,378)
Expenditures - Children's Mental Health Services	(233,552)	(233,552)
Expenditures - Nursing Homes	(831,850)	(832,217)
Expenditures - Mental Health Medicaid Benefit	(27,659)	(27,659)
Expenditures - Diabetes & CVH Control		(500,000)
Expenditures - Public Home Health Visits/MIAMI	(200,000)	(200,000)
Expenditures - Children's Special Health Services	(290,000)	(290,000)
Ending Fund Balance	$4,541,546	$5,232,334

Federal Poverty Level

Eligibility for many of the programs administered by DPHHS is related to family income as measured by the federal poverty index, also called the federal poverty level. Figure 10 shows the 2006 federal poverty level and various measurements related to it.

Figure 10
2006 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Percent of Federal Poverty Level					
	40%	100%	133%	150%	175%	200%
1	$3,920	$9,800	$13,034	$14,700	$17,150	$19,600
2	5,280	13,200	17,556	19,800	23,100	26,400
3	6,640	16,600	22,078	24,900	29,050	33,200
4	8,000	20,000	26,600	30,000	35,000	40,000
5	9,360	23,400	31,122	35,100	40,950	46,800
6	10,720	26,800	35,644	40,200	46,900	53,600
7	12,080	30,200	40,166	45,300	52,850	60,400
8	13,440	33,600	44,688	50,400	58,800	67,200
Each Additional Person	1,403	4,250	5,653	6,375	7,438	8,500

Figure 10 is intended to be a quick reference for readers to determine the income level associated with various program eligibility requirements. For instance, eligibility for CHIP is 150 percent of the federal poverty level. Medicaid eligibility depends on the age of a child and is different for parents in low-income families than their children. Generally, family income can be no greater than 40.0 percent of the federal poverty level for parents to be eligible for Medicaid. Income eligibility for pregnant women and children up to the age of 6 is 133 percent of the poverty index, while family income can be no greater than 100 percent of the federal poverty level for children 6 and older.

The federal poverty level is updated annually, usually in February or early March. Historically, the index has increased between two to five percent each year.

Biennium Budget Comparison

The following table compares the executive budget request in the 2009 biennium with the 2007 biennium by type of expenditure and source of funding. The 2007 biennium consists of actual FY 2006 expenditures and FY 2007 appropriations.

Biennium Budget Comparison Budget Item	Present Law Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	Present Law Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Biennium Fiscal 06-07	Total Exec. Budget Fiscal 08-09
FTE	2,819.02	56.30	2,875.32	2,819.02	102.99	2,922.01	2,780.42	2,922.01
Personal Services	140,527,824	2,518,606	143,046,430	141,392,607	5,229,615	146,622,222	256,384,439	289,668,652
Operating Expenses	90,735,962	5,495,541	96,231,503	91,294,499	4,397,661	95,692,160	184,053,251	191,923,663
Equipment	535,699	215,000	750,699	535,699	145,000	680,699	914,053	1,431,398
Capital Outlay	53,007	450,000	503,007	53,007	0	53,007	53,007	556,014
Grants	60,561,170	7,357,012	67,918,182	60,561,170	7,092,783	67,653,953	118,207,217	135,572,135
Benefits & Claims	1,113,222,817	54,310,296	1,167,533,113	1,167,212,243	54,726,443	1,221,938,686	2,098,953,977	2,389,471,799
Transfers	0	0	0	0	0	0	0	0
Debt Service	594,459	2,700	597,159	594,729	66,000	660,729	1,190,235	1,257,888
Total Costs	$1,406,230,938	$70,349,155	$1,476,580,093	$1,461,643,954	$71,657,502	$1,533,301,456	$2,659,756,179	$3,009,881,549
General Fund	354,410,902	20,780,851	375,191,753	369,088,220	22,593,751	391,681,971	618,684,824	766,873,724
State/Other Special	96,267,593	13,143,565	109,411,158	97,035,674	13,301,631	110,337,305	170,799,080	219,748,463
Federal Special	955,552,443	36,424,739	991,977,182	995,520,060	35,762,120	1,031,282,180	1,870,272,275	2,023,259,362
Total Funds	$1,406,230,938	$70,349,155	$1,476,580,093	$1,461,643,954	$71,657,502	$1,533,301,456	$2,659,756,179	$3,009,881,549

The DPHHS 2009 biennium budget request is about $350.1 million higher than the 2007 biennium. General fund grows $148.2 million, state special revenue rises $48.9 million, and federal funds increase $153.0 million.

Almost all of the growth (83.0 percent) is in benefits and services for individuals, with the majority of increase attributable to Medicaid services, as noted previously. FTE increase 141.59 between the biennia, and along with annualization of pay plan increases, upgrades and reclassifications, as well as fully funding all positions, personal services costs grow $33.3 million.

The changes from base year expenditures discussed previously are the same reasons that 2009 biennium costs are higher than 2007 biennium costs. However, the magnitude of the difference will be lower in a biennium to biennium comparison than a 2009 biennium comparison to base year costs. The biennium to biennium cost comparison is lower because the incremental growth in benefits costs in the second year of the biennium partially offsets the annual increases in the base to biennium comparison.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10009 - Montana Youth Leadership Forum (MYLF)										
10	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 10010 - DD Wait List Reduction										
10	0.00	1,664,117	0	2,990,846	4,654,963	0.00	2,347,665	0	4,440,079	6,787,744
DP 10011 - DD Rate Rebasing										
10	0.00	1,582,172	1,717,826	4,869,677	8,169,675	0.00	1,814,413	2,185,587	5,840,515	9,840,515
DP 10016 - DD Crisis Funding - Restores OTO										
10	0.00	120,000	0	0	120,000	0.00	120,000	0	0	120,000
DP 10018 - MTAP new technologies (BIEN)										
10	0.00	0	1,065,000	0	1,065,000	0.00	0	0	0	0
DP 10021 - Developmental Disabilities Program - Fed Authority										
10	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 10026 - VR Transition Counselor										
10	1.00	55,283	0	0	55,283	1.00	51,884	0	0	51,884
DP 10501 - Provider Rate Increases										
10	0.00	267,093	0	0	267,093	0.00	267,093	0	0	267,093
DP 11011 - Dental Access										
11	0.00	400,000	555,000	2,087,370	3,042,370	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee (Requires Legislation)										
11	0.00	0	1,506,249	973,284	2,479,533	0.00	0	1,926,174	1,759,231	3,685,405
DP 11013 - CHIP Self Administration										
11	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11038 - Family Planning Waiver Implementation - OTO										
11	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases										
11	0.00	0	1,641,338	3,587,518	5,228,856	0.00	0	1,646,566	3,582,290	5,228,856
DP 11901 - System of Care Sustainability										
11	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 20001 - Energy Assist/Conservation (BIEN/OTO) (Requires Legislation)										
02	0.00	0	0	1,600,000	1,600,000	0.00	0	0	0	0
DP 20002 - Tri-state housing grant for people with AIDS (Bien										
02	0.00	0	0	966,000	966,000	0.00	0	0	0	0
DP 20004 - Homeless Management Information Syst (HMIS) grant										
02	0.00	0	0	66,980	66,980	0.00	0	0	66,980	66,980
DP 20006 - Childcare for Working Caretaker Relative										
02	0.00	0	0	683,784	683,784	0.00	0	0	683,784	683,784
DP 20011 - Ombudsman Funding-Warm Hearts/Homes - OTO										
02	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 20020 - TANF Cash Benefit Increase										
02	0.00	0	0	2,228,983	2,228,983	0.00	0	0	2,228,983	2,228,983
DP 20022 - Individual Development Account (IDA) Biennial Appr										
02	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 20023 - Restructuring Blackfeet Tribal Plan										
02	0.00	0	0	1,135,170	1,135,170	0.00	0	0	1,135,170	1,135,170
DP 20907 - Child Care Funding Swap for PSF										
02	0.00	(99,983)	99,983	0	0	0.00	(104,543)	104,543	0	0
DP 20908 - Low Income Energy Assist. Prgm OTO										
02	0.00	2,000,000	0	0	2,000,000	0.00	0	0	0	0
DP 22101 - EMVH Resident Bus Replacement - OTO										

New Proposals

Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
	Fiscal 2008					Fiscal 2009				
22	0.00	0	40,000	0	40,000	0.00	0	0	0	0
DP 22103 - MVH Facility Upgrades- OTO										
22	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22104 - MVH Recruitment and Retention Contingency										
22	0.00	0	0	0	0	0.00	0	183,000	0	183,000
DP 22105 - MVH Special Care Unit Staff										
22	5.20	0	137,862	0	137,862	5.20	0	138,421	0	138,421
DP 22106 - MVH Pharmacy Clerk										
22	0.60	0	22,539	0	22,539	0.60	0	22,685	0	22,685
DP 22107 - EMVH Fire Alarm System - OTO										
22	0.00	0	15,000	0	15,000	0.00	0	0	0	0
DP 22108 - Additional Aging Ombudsman Position										
22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22109 - Elderly Meal Programs										
22	0.00	692,000	0	0	692,000	0.00	692,000	0	0	692,000
DP 22110 - Continue Aging In-Home Caregiver Program										
22	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 22112 - Additional SHIP FTE for Aging Services										
22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22119 - Waiver Expansion										
22	0.00	838,161	0	1,810,894	2,649,055	0.00	850,347	0	1,798,708	2,649,055
DP 22127 - SLTC Alzheimer Grant Continuation										
22	1.00	0	0	290,000	290,000	0.00	0	0	0	0
DP 22239 - Adult Protective Services Field Staff										
22	1.50	0	74,698	0	74,698	1.50	0	73,084	0	73,084
DP 22501 - Provider Rate Increases										
22	0.00	179,013	1,573,431	3,439,091	5,191,535	0.00	179,013	1,578,443	3,434,083	5,191,539
DP 22904 - Personal Needs Increase										
22	0.00	0	128,071	0	128,071	0.00	0	128,438	0	128,438
DP 30003 - Federal Law Change - TCM										
03	0.00	1,800,000	0	(1,800,000)	0	0.00	1,800,000	0	(1,800,000)	0
DP 30008 - Federal Law change regarding kin care providers										
03	0.00	86,000	0	(86,000)	0	0.00	86,000	0	(86,000)	0
DP 30010 - Additional Field Staff										
03	15.00	447,161	0	298,107	745,268	20.00	588,433	0	392,288	980,721
DP 30014 - Expansion of SSI Program										
03	2.00	(202,260)	266,787	23,589	88,116	2.00	(202,194)	266,787	23,613	88,206
DP 30015 - Convert Modified In-home FTE to permanent										
03	2.00	(27,601)	0	30,286	2,685	2.00	(27,601)	0	30,362	2,761
DP 30501 - Provider Rate Increases										
03	0.00	385,623	0	189,933	575,556	0.00	385,623	0	189,933	575,556
DP 30903 - Therapeutic group Homes/Family Foster Care										
03	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 33104 - Behavioral Health Program Facilitator										
33	1.00	0	79,484	0	79,484	1.00	0	79,574	0	79,574
DP 33203 - Meth & CD Regional Services Expansion										
33	1.00	2,000,000	0	0	2,000,000	1.00	2,000,000	0	0	2,000,000
DP 33204 - Methamphetamine Prevention - OTO										
33	0.00	0	0	0	0	0.00	1,000,000	0	0	1,000,000
DP 33206 - Strategic Prevention Framework Incentive Grant										
33	2.00	0	0	2,332,000	2,332,000	2.00	0	0	2,332,000	2,332,000
DP 33304 - MCDC Staff (Modified and Other)										
33	6.00	0	340,906	0	340,906	6.00	0	344,518	0	344,518
DP 33407 - Fund 72 hr Community Crisis Support										
33	0.00	1,861,245	0	171,525	2,032,770	0.00	1,860,334	0	172,436	2,032,770
DP 33410 - Mental Health Community Services Development										
33	5.00	585,226	0	0	585,226	5.00	535,165	0	0	535,165
DP 33413 - Federal Data Infrastructure Grant										
33	1.00	0	0	142,200	142,200	1.00	0	0	142,200	142,200
DP 33506 - Secure Treatment & Examination Program (STEP) (Requires Legislation)										
33	0.00	832,316	0	0	832,316	41.69	3,380,803	(352,063)	0	3,028,740
DP 33701 - Provider Rate Increases										
33	0.00	281,480	327,689	716,240	1,325,409	0.00	282,251	362,087	788,098	1,432,436
DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO)										
04	0.00	200,000	0	600,000	800,000	0.00	0	0	0	0
DP 40010 - Agency Telecommunications										
04	0.00	(50,000)	0	(50,000)	(100,000)	0.00	(50,000)	0	(50,000)	(100,000)
DP 50001 - Child Support Enforcement General Fund										
05	0.00	99,718	(99,718)	0	0	0.00	102,782	(102,782)	0	0
DP 50002 - Child Support Deficit Reduction Act										
05	0.00	1,620,765	0	(1,620,765)	0	0.00	2,154,589	0	(2,154,589)	0
DP 50005 - CSED - Replacement of DRA Fee										
05	0.00	187,025	0	0	187,025	0.00	187,025	0	0	187,025

New Proposals

	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70002 - Ongoing Lab Equipment Replace & Maintenance OTO										
07	0.00	145,000	0	0	145,000	0.00	145,000	0	0	145,000
DP 70003 - WIC IT System Maintenance (BIEN - OTO)										
07	0.00	290,000	0	0	290,000	0.00	0	0	0	0
DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation)										
07	0.00	0	290,000	0	290,000	0.00	0	290,000	0	290,000
DP 70007 - HIV Treatment Funding Request										
07	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 70013 - Food Emergency Response Network Grant										
07	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 70014 - Youth Suicide Prevention Program										
07	0.00	0	0	400,000	400,000	0.00	0	0	400,000	400,000
DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation)										
07	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
DP 70017 - FTE Request for MT Breast & Cervical Health Prg										
07	1.00	0	0	59,080	59,080	1.00	0	0	59,392	59,392
DP 70103 - Tobacco Trust Fund Sup for Pblc Hlth Home Visits										
07	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 70105 - Rural Public Health Development Project										
07	0.00	75,000	0	0	75,000	0.00	0	0	0	0
DP 70106 - Tobacco Prevention Activities										
07	2.00	0	1,370,000	0	1,370,000	2.00	0	1,370,000	0	1,370,000
DP 70107 - Purchase of Tamiflu - Biennial OTO										
07	0.00	118,000	0	0	118,000	0.00	0	0	0	0
DP 70108 - Diabetes & Heart Disease Prevention										
07	1.00	0	330,000	0	330,000	2.00	0	830,000	0	830,000
Total	**56.30**	**$20,780,851**	**$13,143,565**	**$36,424,739**	**$70,349,155**	**102.99**	**$22,593,751**	**$13,301,631**	**$35,762,120**	**$71,657,502**

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	453.80	0.00	0.00	453.80	0.00	0.00	453.80	453.80
Personal Services	18,794,817	2,284,231	0	21,079,048	2,360,078	0	21,154,895	42,233,943
Operating Expenses	5,369,298	492,485	92,980	5,954,763	558,380	66,980	5,994,658	11,949,421
Equipment	44,506	0	0	44,506	0	0	44,506	89,012
Capital Outlay	53,007	0	0	53,007	0	0	53,007	106,014
Grants	18,836,204	122,250	200,000	19,158,454	122,250	200,000	19,158,454	38,316,908
Benefits & Claims	155,391,482	18,635,663	8,887,937	182,915,082	28,515,985	4,347,937	188,255,404	371,170,486
Debt Service	0	0	0	0	0	0	0	0
Total Costs	**$198,489,314**	**$21,534,629**	**$9,180,917**	**$229,204,860**	**$31,556,693**	**$4,614,917**	**$234,660,924**	**$463,865,784**
General Fund	26,272,234	3,258,864	2,400,017	31,931,115	4,038,933	395,457	30,706,624	62,637,739
State/Other Special	997,726	298,422	99,983	1,396,131	298,700	104,543	1,400,969	2,797,100
Federal Special	171,219,354	17,977,343	6,680,917	195,877,614	27,219,060	4,114,917	202,553,331	398,430,945
Total Funds	**$198,489,314**	**$21,534,629**	**$9,180,917**	**$229,204,860**	**$31,556,693**	**$4,614,917**	**$234,660,924**	**$463,865,784**

Program Description

The Human and Community Services Division (HCSD) consist of four bureaus each managing a group of programs. The Public Assistance Bureau administers Montana's Temporary Assistance to Needy Families (TANF) program and provides eligibility services for Medicaid and food stamps. The Early Childhood Services Bureau manages child care subsidy programs, contracts providing child care eligibility, provider recruitment, and technical assistance; administers the Child and Adult Care Food Program (CACFP) reimbursement to child care providers for the cost of meals served to eligible children and adults; and administers the head start state collaboration grant. The Intergovernmental Human Services Bureau (IHSB) administers a number of programs providing housing services, weatherization services, and energy and commodity assistance including: the community services block grant, Low-Income Energy Assistance Program (LIEAP), some Housing and Urban Development (HUD) grants, and United States Department of Agriculture (USDA) food distribution and commodities grants. This bureau also maintains a warehouse facility. The division Fiscal Bureau coordinates implementation and monitoring of the division's budget.

Statutory authority is in Title 53, Chapter 2, MCA, and 45 CFR.

Program Narrative

Figure 11 summarizes funding for the division by major function. Public assistance related programs including eligibility determination, TANF, and Food Stamp programs account for 73.2 percent of the funding provided to the division. Child care related services including child care subsidy programs and the CACFP account for about 16.4 percent of the division's funding, while energy and commodity assistance programs account for the remaining 10.4 percent.

Figure 11
Human and Community Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2006 - Base Budget General Fund	State Special	Federal	Total Funds	Fiscal 2008 - Requested General Fund	State Special	Federal	Total Funds	Fiscal 2009 - Requested General Fund	State Special	Federal	Total Funds	Percent of Total
Public Assistance:													
Administration - Division	$212,194	$538	$304,119	$516,851	$216,581	$538	$307,656	$524,775	$263,227	$539	$262,072	$525,838	0.2%
Administration - Public Assistance	819,005	2,871	918,588	1,740,464	816,142	2,871	727,822	1,546,835	817,296	2,871	731,467	1,551,634	0.7%
Administration - County	8,252,569	108,138	8,977,070	17,337,777	9,611,018	110,000	10,039,476	19,760,494	9,669,355	110,000	10,101,643	19,880,998	8.5%
TANF Cash Assistance	358,729	94,725	18,622,395	19,075,849	358,729	94,725	21,986,548	22,440,002	358,729	94,725	21,986,548	22,440,002	9.6%
TANF Employment, Training, Work	9,381,518	0	2,653,235	12,034,753	9,513,164	0	2,653,235	12,166,399	9,515,708	0	2,653,235	12,168,943	5.2%
TANF Supportive Services	843,326	0	0	843,326	843,326	0	683,784	1,527,110	843,326	0	683,784	1,527,110	0.7%
Children's Asset Test	0	0	0	0	0	39,944	39,944	79,888	0	40,202	40,202	80,404	0.0%
HIFA Insurance Program	0	0	0	0	0	18,992	18,991	37,983	0	19,011	19,011	38,022	0.0%
Refugee Programs	0	0	136,288	136,288	0	0	136,288	136,288	0	0	136,288	136,288	0.1%
Food Stamp Training & Support Serv	543,757	0	1,646,647	2,190,404	569,361	0	1,672,033	2,241,394	574,062	0	1,670,655	2,244,717	1.0%
Food Stamp Benefits	0	0	89,998,309	89,998,309	0	0	101,808,718	101,808,718	0	0	110,796,690	110,796,690	47.2%
TANF Phase IIR	148,930	0	199,282	348,212	148,930	0	199,282	348,212	148,930	0	199,282	348,212	0.1%
Subtotal Public Assistance	20,560,028	206,272	123,455,933	144,222,233	22,077,251	267,070	140,273,777	162,618,098	22,190,633	267,348	149,280,877	171,738,858	73.2%
Percent of Total	14.3%	0.1%	85.6%	100.0%	13.6%	0.2%	86.3%	100.0%	12.9%	0.2%	86.9%	100.0%	
Energy and Commodity Assistance:													
Administration - Energy and Commodities	19,720	0	4,515,307	4,535,027	19,663	0	4,797,373	4,817,036	0	0	4,823,898	4,823,898	2.1%
Low Income Energy Assistance Gen. Fund	0	0	0	0	2,000,000	0	0	2,000,000	0	0	0	0	0.0%
IDA Match For Family Assets	0	0	0	0	200,000	0	0	200,000	200,000	0	0	200,000	0.1%
Energy Ombudsman	0	0	0	0	300,000	0	0	300,000	300,000	0	0	300,000	0.1%
Benefits - Energy and Commodities	35,952	58,853	16,362,723	16,457,528	36,000	296,477	21,424,853	21,757,330	36,000	296,477	18,858,866	19,191,343	8.2%
Subtotal Energy and Commodity	55,672	58,853	20,878,030	20,992,555	2,555,663	296,477	26,222,226	29,074,366	536,000	296,477	23,682,764	24,515,241	10.4%
Percent of Total	0.3%	0.3%	99.5%	100.0%	8.8%	1.0%	90.2%	100.0%	2.2%	1.2%	96.6%	100.0%	
Early Childhood Services:													
Administration - Child Care	20,000	0	426,763	446,763	20,000	0	453,368	473,368	20,000	0	454,444	474,444	0.2%
Childcare Matching	3,983,297	0	4,162,803	8,146,100	5,724,947	0	4,162,803	9,887,750	6,411,297	0	4,162,803	10,574,100	4.5%
Childcare Mandatory	1,313,649	0	2,086,198	3,399,847	1,313,649	0	2,086,198	3,399,847	1,313,649	0	2,086,198	3,399,847	1.4%
Childcare Discretionary	0	0	8,703,480	8,703,480	0	0	10,730,126	10,730,126	0	0	10,730,208	10,730,208	4.6%
Childcare Match Prevention & Stabilization	300,711	732,601	0	1,033,312	200,728	832,584	0	1,033,312	196,168	837,144	0	1,033,312	0.4%
Quality - Child Care	0	0	2,076,087	2,076,087	0	0	2,076,191	2,076,191	0	0	2,076,236	2,076,236	0.9%
Head Start	14,932	0	112,704	127,636	14,932	0	112,436	127,368	14,932	0	112,441	127,373	0.1%
Child and Adult Care Food Program	23,945	0	9,317,356	9,341,301	23,945	0	9,760,489	9,784,434	23,945	0	9,967,360	9,991,305	4.3%
Subtotal Early Childhood Services	5,656,534	732,601	26,885,391	33,274,526	7,298,201	832,584	29,381,611	37,512,396	7,979,991	837,144	29,589,690	38,406,825	16.4%
Percent of Total	17.0%	2.2%	80.8%	100.0%	19.5%	2.2%	78.3%	100.0%	20.8%	2.2%	77.0%	100.0%	
Total Human and Community Services Div.	$26,272,234	$997,726	$171,219,354	$198,489,314	$31,931,115	$1,396,131	$195,877,614	$229,204,860	$30,706,624	$1,400,969	$202,553,331	$234,660,924	100.0%
Percent of Total	13.2%	0.5%	86.3%	100.0%	13.9%	0.6%	85.5%	100.0%	13.1%	0.6%	86.3%	100.0%	

Program Highlights

Human and Community Services Division
Major Budget Highlights

- Total funding for the division increases about 8 percent when the 2009 and 2007 biennia are compared, comprising an increase in general fund support of about 24 percent, state special revenue of 36 percent, and federal funds of 5 percent
- General fund increases are primarily due to statewide present law adjustments, TANF related programs, and child care; state special revenue increases are due to a funding switch for child care and additional energy assistance from the universal systems benefits fund; federal increases are related to food stamp benefits, low-income energy assistance, child care, and TANF related programs
- The proposed budget requests a $4 million transfer from the federal TANF block grant to the child care development fund and $4.4 million to increase TANF benefits calculations from 33 percent of the 2005 federal poverty level to the 2007 level
- Federally funded food stamp benefits are expected to reach $110 million by SFY 2009
- The executive budget requests one-time, biennial funding of $1.6 million from the energy conservation and energy assistance account within federal special revenue and proposes legislation to allow use of the fund

LFD Major Issues

- The executive budget places the TANF block grant in a deficit position in the 2011 biennium
- The federal Deficit Reduction Act could impact the general fund

Biennial Comparison

The primary biennial increases are discussed in the following sections. General fund increases are due to child care, TANF, and statewide present law adjustments. State special revenue increases are due to a funding switch for some child care activities and additional revenue from the Universal Systems Benefits fund for energy. Federal revenue increases are related to food stamp benefits, low-income energy assistance, child care, and TANF related programs.

Figure 12
2007 Biennium Compared to 2009 Biennium
Human and Community Services Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	453.80	453.80		-	
Personal Services	$38,784,412	$42,233,943	9.1%	$3,449,531	8.9%
Operating	10,975,799	11,949,421	2.6%	973,622	8.9%
Equipment	103,874	89,012	0.0%	(14,862)	-14.3%
Capital Outlay	53,007	106,014	0.0%	53,007	100.0%
Grants	35,912,959	38,316,908	8.3%	2,403,949	6.7%
Benefits/Claims	344,803,030	371,170,486	80.0%	26,367,456	7.6%
Debt Service	552	0	0.0%	(552)	-100.0%
Total Costs	$430,633,633	$463,865,784	100.0%	$33,232,151	7.7%
General Fund	$50,689,251	$62,637,739	13.5%	$11,948,488	23.6%
State Special	2,058,684	2,797,100	0.6%	738,416	35.9%
Federal Funds	377,885,698	398,430,945	85.9%	20,545,247	5.4%
Total Funds	$430,633,633	$463,865,784	100.0%	$33,232,151	7.7%

Summary of Benefits and Grants

As shown in Figure 14 on page B-23, the summary of benefits and grants, The federally funded food stamp benefits comprise nearly 60 percent of the division's benefit and claims activity with TANF cash assistance and various child care support activities comprising about 12 and 16 percent, respectively.

Grants are expended over the biennium primarily for TANF employment and training (50 percent), food stamps, energy, and commodity projects (18 percent), and child care activities (30 percent).

Child Care

Child care services are administered by the division with support from community offices throughout the state. Child care activities are primarily funded by the federal Child Care Development Fund (CCDF) block grant. The activities are linked to the TANF requirements that states provide child care assistance to TANF families when the family is engaged in activities designed to assist the family in becoming self-sufficient. Services also include providing subsidies for low-income families, licensing and registration of child care providers, and activities related to assuring quality child care. States are required to expend a minimum of four percent of the funding of the child care block grant on child care quality activities.

The child care block grant consists of three funding streams known as the mandatory, matching, and discretionary funds. The mandatory fund requires that states expend state and local funds at a minimum level known as the maintenance of effort (MOE) in order to receive the federal mandatory funds available. Montana's child care block grant MOE is $1,313,990 per year. Child care block grant MOE is unique in that it is about the only instance where state spending may count toward two federal requirements. State funds spent for child care block grant MOE may also count toward TANF MOE. Figure 13 summarizes child care funding for FY 2004 through FY 2009.

Under the child care matching funds, states are reimbursed for eligible child care expenditures at the federal medical assistance participation (FMAP) rate and must provide state and local funds to match the federal funds. Montana's FMAP rate is about 68 percent and the state share of expenses under child care matching funds is about 32 percent. Discretionary funds are federal funds, and no state match is required in order for states to expend these funds. However, states must expend the mandatory funding stream before it may expend the discretionary funding. Additionally, states may transfer a portion of the TANF grant to the child care discretionary fund. Once transferred, TANF funds take on the spending attributes and restrictions of the fund into which they were transferred.

Figure 13
Agency-wide Summary of Child Care Funding
by Funding Stream
Fiscal 2004 Through 2009

Description	Actual SFY 2004	Actual SFY 2005	Actual SFY2006	Appropriated SFY 2007	Requested SFY 2008	Requested SFY 2009
General Fund:						
Maintenance of Effort	$1,313,990	$1,313,990	$1,313,649	$1,313,649	$1,313,649	$1,313,649
Matching	1,645,426	637,872	1,597,793	1,649,639	1,916,057	1,976,119
Matching Restricted Descretionary			2,400,000	0		
Other (non HCSD)	93,337	93,337	93,337	93,337	93,337	93,337
Total General Fund	3,052,753	2,045,199	5,404,779	3,056,625	3,323,043	3,383,105
Annual Percent Change	-1.4%	-33.0%	164.3%	-43.4%	8.7%	1.8%
Non General Fund Match:						
State Spec. Revenue (PSF)	557,000	1,443,000	732,601	731,267	832,584	837,144
Other	11,250					
Federal Funds:						
Title XX, Social Services Blk Grant	46,000	46,000	46,000	46,000	46,000	46,000
CCDF Administrative (non HCSD)	687,364	687,364	156,253	149,987	146,817	147,005
CCDF Administrative (HCSD)	558,450	637,144	462,383	454,373	453,368	454,444
CCDF Mandatory	2,086,199	3,086,400	2,086,198	2,086,199	2,086,198	2,086,198
CCDF Match	5,241,053	6,196,101	4,162,803	4,162,803	4,162,803	4,162,803
CCDF Discretionary (non HCSD)	567,068	568,000	683,308	490,789	540,069	540,069
CCDF Discretionary	8,826,112	13,556,317	10,464,016	14,649,211	12,266,248	12,266,375
Total Federal Funds	18,012,246	24,777,326	18,060,961	22,039,362	19,701,503	19,702,894
Total Expenditures	$21,633,249	$28,265,525	$24,198,341	$25,827,254	$23,857,130	$23,923,143
Percent Change	-12.2%	30.7%	-14.4%	6.7%	-7.6%	0.3%
Compound Rate of Change	-2.4%	5.0%	0.8%	1.8%	0.4%	0.4%

The majority of childcare funds are expended to provide subsidies to low-income families with some funds used in support of parenting education and family strengthening activities. Montana currently provides services to families at or below 150 percent of the federal poverty level (FPL) and employs a sliding fee scale as required by federal law to determine the parent's share of the costs. As the family income approaches 50 percent of the FPL their share of the costs increases. Once the family income exceeds the 150 percent of the FPL, the family is ineligible for the program.

<u>The Governor's Budget for Child Care</u>

In the 2009 executive present law budget, the Governor proposes an increase of $8 million in general and federal funds to support child care activities with:

- $4.0 million in federal discretionary fund authority over the biennium to allow for a transfer of TANF funding into the discretionary funds of the CCDF block grant for various activities in support of affordable and accessible child care
- $4.1 million over the biennium in general fund to support caseload growth of 2.4 percent, maintain the child care at 150 percent of the federal poverty level, and maintain provider market rates at the federally required 75th percentile
- $1.4 million of federal TANF authority to provide child care for working caretaker relatives of children eligible for the TANF grant

Figure 14
Human and Community Services Division
Summary of Benefit and Grant Costs and Funding

Program	Fiscal 2006 Base General Fund	Fiscal 2006 Base State Spec. Rev	Fiscal 2006 Base Federal Funds	Fiscal 2006 Base Total Funds	Fiscal 2008 Request General Fund	Fiscal 2008 Request State Spec. Rev	Fiscal 2008 Request Federal Funds	Fiscal 2008 Request Total Funds	Fiscal 2009 Request General Fund	Fiscal 2009 Request State Spec. Rev	Fiscal 2009 Request Federal Funds	Fiscal 2009 Request Total Funds	Percent Total
Benefits & Claims													
TANF Cash Assistance	$358,729	$94,725	$18,622,395	$19,075,849	$358,729	$94,725	$21,986,548	$22,440,002	$358,729	$94,725	$21,986,548	$22,440,002	11.9%
TANF Employment, Training	1,450,579	0	410,246	1,860,825	1,455,018	0	405,807	1,860,825	1,455,103	0	405,722	1,860,825	1.0%
TANF Supportive Services	843,326	0	0	843,326	843,326	0	683,784	1,527,110	843,326	0	683,880	1,527,206	0.8%
Food Stamp Training/Support	21,820	0	66,076	87,896	22,327	0	65,569	87,896	22,478	0	65,418	87,896	0.0%
Food Stamps	0	0	89,998,309	89,998,309	0	0	101,808,718	101,808,718	0	0	110,796,690	110,796,690	58.9%
FAIM Phase IIR	143,391	0	191,871	335,262	143,391	0	191,871	335,262	143,391	0	191,871	335,262	0.2%
Energy and Commodities Adm.	3,402	0	779,041	782,443	3,316	0	809,127	812,443	0	0	812,443	812,443	0.4%
Energy & Commodities Benefits	34,836	57,026	15,854,681	15,946,542	35,101	289,076	20,890,047	21,214,225	35,030	288,488	18,350,707	18,674,225	9.9%
Energy Ombudsman	0	0	0	0	300,000	0	0	300,000	300,000	0	0	300,000	0.2%
LIEAP General Fund Benefits	0	0	0	0	2,000,000	0	0	2,000,000	0	0	0	0	0.0%
Child and Adult Food Program	20,811	0	8,098,005	8,118,816	20,848	0	8,497,968	8,518,816	20,910	0	8,703,906	8,724,816	4.6%
Childcare Matching	3,965,199	0	4,143,890	8,109,089	5,703,518	0	4,147,221	9,850,739	6,388,856	0	4,148,233	10,537,089	5.6%
Childcare Mandatory	1,313,649	0	2,086,198	3,399,847	1,313,649	0	2,086,198	3,399,847	1,313,649	0	2,086,198	3,399,847	1.8%
Childcare Discretionary	0	0	5,454,813	5,454,813	0	0	7,380,734	7,380,734	0	0	7,380,734	7,380,734	3.9%
Childcare Quality	0	0	345,057	345,057	0	0	345,057	345,057	0	0	345,057	345,057	0.2%
Childcare Prevent & Stabilization	300,711	732,601	0	1,033,312	200,728	832,584	0	1,033,312	196,168	837,144	0	1,033,312	0.5%
Total Benefits & Claims	$8,456,454	$884,352	$146,050,580	$155,391,386	$12,399,952	$1,216,385	$169,298,648	$182,914,986	$11,077,641	$1,220,357	$175,957,406	$188,255,404	100.0%
Grants													
TANF Employment & Training	$7,490,519	$0	$2,118,432	$9,608,951	$7,513,441	$0	$2,095,510	$9,608,951	$7,513,880	$0	$2,095,071	$9,608,951	50.2%
Food Stamp Training/Support	340,131	0	1,030,009	1,370,140	348,044	0	1,022,096	1,370,140	350,398	0	1,019,742	1,370,140	7.2%
Energy and Commodities Adm.	8,208	0	1,879,429	1,887,637	7,847	0	1,914,790	1,922,637	0	0	1,922,637	1,922,637	10.0%
Energy & Commodities Benefits	197	323	89,813	90,333	161	1,326	95,846	97,333	183	1,504	95,647	97,333	0.5%
Refugee	0	0	136,288	136,288	0	0	136,288	136,288	0	0	136,288	136,288	0.7%
IDA Match for Family Assets	0	0	0	0	200,000	0	0	200,000	200,000	0	0	200,000	1.0%
Childcare Discretionary	0	0	3,091,880	3,091,880	0	0	3,172,130	3,172,130			3,172,130	3,172,130	16.6%
Childcare Quality	0	0	1,709,376	1,709,376	0	0	1,709,376	1,709,376	0	0	1,709,376	1,709,376	8.9%
Head Start	0	0	112,704	112,704	0	0	112,705	112,705	0	0	112,705	112,705	0.6%
Child and Adult Food Program	2,125	0	826,769	828,894	2,029	0	826,865	828,894	1,987	0	826,907	828,894	4.3%
Total Grants	$2,125	$0	$5,877,017	$18,836,203	$8,071,522	$1,326	$11,085,605	$19,158,454	$8,066,447	$1,504	$11,090,503	$19,158,454	100.0%

There is further discussion of the proposals in the TANF section below as well as the present law and new proposal sections of this write-up.

Temporary Assistance for Needy Families (TANF)

The following discussion of TANF comprises a brief background of the program, the federal Deficit Reduction Act of 2005, Tribal TANF plans, and TANF related items in the Governor's budget.

Background

Now ten years old, the TANF program is one of the largest programs administered by the division. This program is funded by the TANF block grant created in 1996 by federal legislation (commonly known as "welfare reform") that replaced the program formerly known as Aid to Families with Dependent Children (AFDC). Under the TANF program, states receive a set level of federal funding to support public assistance programs. Montana's annual federal grant is estimated to be about $39 million in FY 2008, and decrease to about $38 million in FY 2009 due to termination of federal supplemental grants to the TANF block grant in FY 2008. In order to receive the TANF federal funds, a state must continue to expend state and local resources at a level known as the "maintenance of effort" or MOE. Montana's annual MOE is about $14 million.

TANF funds may be transferred to the child care block grant and/or the Title XX Social Services Block Grant, but the transfer may not exceed 30 percent of the grant award. Montana has historically transferred a large amount of TANF funds to the child care block grant for child care and some funds to Title XX for use in the foster care and/or developmental disabilities programs. In addition to the use of TANF funds transferred to Title XX for foster care, some TANF funds are also used for protective service programs. These expenditures became part of the historical level of expenditures that were used as a basis for calculating the amount of the state's block grant. The use of TANF funds for child welfare continues to be an allowable use of TANF funds if the state had this use included in its approved state plan under the prior AFDC program.

States must also meet other federal requirements, including work participation rates, data reporting requirements, limiting the beneficiary to a maximum 60 months per lifetime of benefits, and assignment of child support to the state by the beneficiary. Funds must be expended to achieve one of four TANF purposes: 1) provide assistance to needy families; 2) end dependency of needy parents by promoting job preparation, work, and marriage; 3) prevent and reduce out of wedlock pregnancies; and 4) encourage the formation and maintenance of two-parent families

LFD COMMENT

There are two primary areas for legislative consideration related to the TANF block grant, and both have the potential to substantially impact the general fund for this biennium and beyond. They are:

- Sustainability of the block grant and the Governor's budget
- The federal Deficit Reduction Act (DRA) of 2005

As of this writing, the division staff projects the TANF block grant to be $13 million at the end of the 2009 biennium. This would not sustain positive case flow of the block grant through FY 2011 if proposals within the Governor's budget remain through the next two biennia, and the projected FY 2009 grant amount of $38 million as well as expenditures remain basically the same. As Figure 15 illustrates, the 2009 Legislature could face a deficit of $3 million through FY 2011.

LFD COMMENT CONT.

Figure 15
Summary of Temporary Assistance for Needy Families (TANF) Grant
Fiscal 2006 Through 2011

State Fiscal Year	Actual SFY 2006	Dept. Est. SFY 2007	Requested SFY 2008	Requested SFY 2009	Projected SFY 2010	Projected SFY 2011
Actual/Projected Balance of Grant	$29,916,339	$34,186,824	$28,670,270	$21,271,814	$13,155,490	$5,057,294
Grant Amount	40,669,944	39,171,817	39,171,817	38,039,116	38,039,116	38,039,116
Beginning Balance	$70,586,283	$73,358,641	$67,842,087	$59,310,930	$51,194,606	$43,096,410
Expenditures:						
Cash Assistance	$17,891,167	$17,482,562	$17,300,637	$17,300,637	$17,300,637	$17,300,637
Benefits with Child Support Passthough		615,795	615,795	615,795	615,795	615,795
Increase benefits - DP 20020	-	-	2,228,983	2,228,983	2,228,983	2,228,983
Subtotal	$17,891,167	$18,098,357	$20,145,415	$20,145,415	$20,145,415	$20,145,415
New Proposals						
Blackfeet Benefit - DP 20023	0	513,278	684,370	684,370	684,370	684,370
Blackfeet Tribal New contract		338,100	450,800	450,800	450,800	450,800
Child Care / Caretaker Relatives -DP 20006	0	0	683,784	683,784	683,784	683,784
TANF System IT Legislation	0	0	2,600,000	2,200,000	2,000,000	1,800,000
Administrative and Other	8,725,178	13,329,401	9,596,668	9,581,835	9,763,707	9,951,034
Foster Care	2,348,600	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Subtotal	$11,073,778	$16,540,779	$16,375,622	$15,960,789	$15,942,661	$15,929,988
Total Expenditures	28,964,945	34,639,136	36,521,037	36,106,204	36,088,076	36,075,403
Transfers:						
Child Care - includes DP 20012	$5,436,288	$8,051,010	$8,051,010	$8,051,010	$8,051,010	$8,051,010
Title XX, Social Service Block Grant	1,998,226	1,998,226	1,998,226	1,998,226	1,998,226	1,998,226
Total Transfers	$7,434,514	$10,049,236	$10,049,236	$10,049,236	$10,049,236	$10,049,236
Expenditures and Transfers	$36,399,459	$44,688,372	$46,570,273	$46,155,440	$46,137,312	$46,124,639
Ending Balance	$34,186,824	$28,670,270	$21,271,814	$13,155,490	$5,057,294	($3,028,230)

* Includes HB 529 child suppor passthrough and disregard, and may include some general fund payments
Data included MBRS, SBAHRS link system and division worksheets.
Projections may change with caseload

There are inter-related issues for the legislature to consider when prioritizing and planning for the expenditure of federal TANF funds. These include:

- What if any level of TANF block grant reserve does the legislature wish to maintain?
- What level of TANF cash assistance does the legislature wish to fund?
- How does the legislature wish to balance the competing priorities for federal TANF funds: cash assistance; child care; Tribal support; and the Internet technology legislation?
- How does the legislature wish to weigh in on potential impacts of the federal Deficit Reduction Act?

<u>The Governor's budget</u>

The executive requests $12 million federal funds over the biennium for TANF activities. The proposals are:

- $4.4 million federal funds to increase the cash benefit standard from 33 percent of the 2005 federal poverty level to 33 percent of the estimated 2007 federal poverty level, which would increase cash assistance approximately $27 a month for a family of four
- $3.7 million of federal TANF block grant funds to support child care for employed relatives raising TANF eligible children, and to support benefit payments and costs associated with work activity and case management services involved in the restructuring of the Blackfeet Tribal TANF plan
- $4.0 million to transfer TANF funding into the discretionary funds of the CCDF block grant for various activities focused in support of affordable and accessible child care

LFD COMMENT CONT.

The Governor also proposes legislation for Internet technology in support of several agency needs. Included in that bill is funding for the economic assistance management system (TEAMS), the automated eligibility and case management system that is scheduled for replacement during the next three year period. Medicaid, food stamps and TANF will all be removed and served with a new system. As of this writing, the costs expected to be in the legislation are $16.2 million comprising $7.6 million general fund and $8.6 million federal TANF funding. For further discussion see the Technology Services Division write-up in section B of this volume.

Options

As the legislature examines the individual decision packages proposed by the Governor, it may wish to consider the following:

- Does the legislature wish to maintain the sustainability of the TANF federal funds?
- If so, what priorities should be followed when determining either where to reduce expenditures or how, or to what extent could other funds replace the federal funds?
- The legislature may also wish to have the department discuss the entirety of the proposals for the use of TANF funds in light of the goals sought, as well as the outcomes anticipated in this and future biennia.

The Federal Deficit Reduction Act

Potentially exacerbating the non-sustainability of the Governor's TANF budget is the potential impact of the federal Deficit Reduction Act (DRA). Congress made several changes to TANF in the DRA that could impact Montana's general fund expenditures. Although the basics of the TANF block grant funding and MOE expenditures remain the same, the DRA imposed changes in the TANF definitions, most of which relate to the method states use to calculate successful outcomes for moving clients into the work environment referred to work participation rates, and the penalties to be imposed on states that are unable to meet the new expectations.

Work Participation Penalties

If a state fails to meet the work participation rates, it is subject to a penalty up to a 5 percent reduction of its federal grant the first year, and an additional 2 percent each successive year the rate is not met, up to a total of 21 percent of the block grant. In addition, the state would also be required to: (1) backfill its federal penalty with state funds; and (2) increase their maintenance-of-effort (MOE) spending by 5 percent. For Montana, a 5 percent penalty to a $38 million block grant would result in a penalty of $1.9 million general fund with another $1.9 million of general fund required to backfill the penalty amount for a total impact on the general fund of $3.8 million. An additional 2 percent penalty would be about $760,000 each year or $1.5 million total general fund. The penalty requiring Montana to increase MOE dollars from its current 75 percent to 80 percent would cost about $0.8 million general fund.

The following changes imposed by the DRA could negatively impact the calculation of Montana's work participation rate:

- Narrowing the definition of what counts as a "work activity" in meeting the requirement for 30-35 hours a week of work activities
- Changing the work participation rate base year for caseload reduction credit calculations from 1995 caseload reports to reports based on caseload declines after 2005 while maintaining the 90 percent work participation rate for two-parent families
- Expanding categories of individuals that states must now count in work participation calculations while eliminating post secondary education as an activity that counts toward work participation

The department has responded administratively to the DRA definition changes with adjustments to operation rules, and has submitted a work verification plan to the federal agency for approval that provides exclusion for some limited TANF populations, including an identified category of clients who are not able to participate in work activities due to mental or physical incapacity so they may receive cash assistance, but not count in the work participation rate calculations. The plan also identifies countable community service hours for residents of Montana's drug treatment homes to ensure they continue to receive benefits and treatments while meeting participation requirements, and provides an option for single-

parent women with newborn children to be exempt from work activities for up to three months following the birth of the child.

It is unknown when the plan will be approved, and the state has a year to make adjustments following the determination. Therefore, it could be FY 2009 before a penalty would be assessed and most likely FY 2010 before a penalty payment would be due. Should a penalty be assessed before July 1, 2010, it could be addressed by the 2009 Legislature.

In addition to the rate calculations, the DRA has the potential to impact the delivery of TANF services in two other components. The first is the increased requirements for reporting, monitoring and documentation that could potentially change the role of social workers and contract providers as more time is spent on monitoring and justification than on educational or support activities.

The second is the DRA provision that states have opportunities for partnerships toward positive outcomes. The DRA removes income eligibility requirements for state spending to reduce out-of-wedlock pregnancy and allows states to count approved local and non-profit funds in support of TANF goals.

State-funded, non-MOE programs
The federal DRA allows states the flexibility to use TANF approved activities that are funded by state general fund to count as TANF MOE. Using this flexibility, the state could create a state-funded, non-MOE program that would allow the division to take families out of the work participation rate and continue their services outside the rate calculation. This strategy could help the state avoid a potential penalty. The families would not lose their services, but would not be counted in the calculation. The amount of general fund would not be altered.

<u>Options</u>
Although the state may not be penalized while the budget approved by this legislature is in effect, the legislature may wish to 'weigh in' on options within the DRA that would support the TANF population while this budget is in effect and possibly avoid any penalties within the context of the Governor's proposals.

The following options have come forth in TANF group discussions on a state and national basis. These and others that may evolve during legislative deliberations would use general fund in support of the mission and goals of TANF while avoiding the possible use of general fund for a penalty payment.

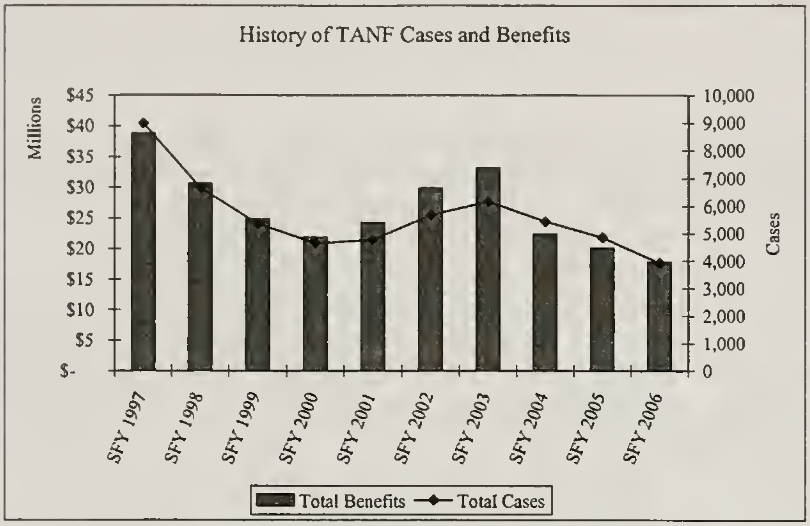
- Creating separate, state funded programs outside of the TANF block grant and MOE funds that could support TANF families while removing them from the work participation count upon which penalties are assessed, such as programs serving:
    - Individuals receiving TANF assistance and wanting to pursue post-secondary education
    - Families working through addiction treatment
    - Individuals without the capacity to perform in work-related activities because of a disability and receive TANF cash assistance while waiting Supplemental Security Income (SSI)
    - Two–parent families that in a separate program could be removed from the work participation calculation and the 90 percent participation rate
- Maximizing the DRA removal of income eligibility requirement for state spending to reduce out-of-wedlock pregnancy, and DRA approval of the use of local and non-profit funds to support TANF goals to tap existing non-profit services from organizations, churches and schools which support:
    - Youth programs, health marriage and responsible fatherhood
    - Individuals transitioning into employment
    - Individuals needing work-readiness skills
    - Program supporting education such as Parents as Scholars
    - Families needing some elements of early childhood intervention programs

- Adjusting the Montana TANF earned income disregards policy to allow employed recipients to keep more of their income and remain on the caseload, and thereby raising the State work participation level

Cash assistance and Caseload

As illustrated in Figure 16 Montana's welfare caseload declined from 1997 to 2000 primarily due to welfare efforts contained in the state's FAIM program. After October of 2000 the caseload began increasing because of a general economic slowdown in the state and fewer economic opportunities for less skilled workers. The decrease of caseload between 2003 and 2006 was primarily due to the reduction of the income standard used in determining eligibility for the cash assistance program and a benefit amount reduction in August of 2003 by DPHHS, the Blackfeet Tribe's assumption of its own Tribal TANF plan August 1, 2005, and improved employment picture in many Montana communities.

Figure 16



However, the Governor's budget contains a request for funding to restructure the Blackfeet Tribal TANF plan and it is estimated that this would increase the caseload by 293 cases if it is approved. There is further discussion in the new proposal section.

Figure 17 also shows that expenditures may change due to the policy (the monthly benefit payments amount received by families) as well as the caseload. Prior to the adjustments in 2003, both benefits and caseload were high. Although the 2005 Legislature raised the cash assistance benefit level to at least 33 percent of the 2005 federal poverty level (FPL) and benefit payments increased, the 2006 cash benefit total expenditure dropped to slightly more than $18.0 million primarily because of a decrease in caseloads.

Low-Income Energy Assistance (LIEAP)

LIEAP benefit payments cover part of the household's total heating costs for the winter, and have historically averaged from under $375 to a high of $625 for the 2006 heating season. Applicants must have an income level at or below 150 percent of the 2005 federal poverty level, or about $19,200 for a family of two. All eligible LIEAP applicants receive benefit payments, which in most cases are paid directly to utility companies and fuel vendors. Both homeowners and renters can apply. Federal assistance for Montana for the 2009 biennium is estimated to be nearly $20 million each year.

<u>2005 Legislative Initiatives the Montana LIEAP Program</u>

The 2005 Legislature appropriated $11.9 million of federal funds and $500,000 general fund for each of the 2006 and 2007 heating seasons for energy assistance as well as $0.3 general fund per year for energy ombudsman work that were augmented by the receipt of additional federal funds.

Figure ___ shows the growth in benefit payments and households served from SFY 2000 through SFY 2007.

Figure 17
LIEAP

State FY	LIEAP Grant	Benefit Payments	Households	Average Benefit
2000	$7,224,938	$5,365,890	14,281	$376
2001	13,518,119	7,618,883	16,824	453
2002	11,054,356	6,357,928	16,976	375
2003	11,852,430	7,419,600	17,550	423
2004	11,236,752	8,919,291	19,187	465
2005	12,781,838	9,766,078	20,463	477
2006	18,805,528	13,268,755	21,221	625
2007*	$11,538,631	$8,904,724	22,700	$392

*Projected

LIEAP Interim Update

During the interim, in response to the increase in utility costs, the Governor, citing his powers under an energy emergency, issued Executive Order 25 for heating assistance benefits with statutory authority of $2.5 million general fund. The order contained a stipulation that:

> " . . . if federal funds above the $14,351,000 Montana anticipates are realized, general funds will be returned to the state treasury at a one to one ratio".

The funds approved by Congress ultimately exceeded this amount and the $2.5 million was returned to the general fund.

Because the energy emergency statutes that give the Governor the power to authorize expenditure from the general fund do not specifically address rising energy prices, the LFC voted to request legislation for the 2007 Legislature to provide clarification."

The Governor's Budget

The Governor's budget includes requests over the biennium for:

- $0.4 million state special revenue and $5.4 million federal revenue to expend federally funded grants and the Universal Systems Benefits fund, which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities
- $1.6 million federal authority to expend energy conservation funds, that comes with a request for legislation to change Montana Code
- $0.6 general fund for energy ombudsman - warm hearts/homes
- $2 million for low-income energy assistance

Food Stamps

The Food Stamp Program is one of the largest expenditures of the state. The FY 2006 base amount for benefits was $90 million and about 422,000 cases were served. The division estimates that the program could grow from $90 million in FY 2006 to $101 million in FY 2008 and $110 million in FY 2009. The Governor's request of $32.6 million comprises an increase of $12 million federal funds in FY 2008 and $21 million in FY 2009 to accommodate the anticipated caseload and poverty level adjustments in food stamp benefits.

The requests are discussed in detail in the present law and new proposal sections that follow.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table
Human And Community Services

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$26,272,234	13.2%	$ 31,931,115	13.9%	$ 30,706,624	13.1%
01100 General Fund	26,272,234	13.2%	31,931,115	13.9%	30,706,624	13.1%
02000 Total State Special Funds	997,726	0.5%	1,396,131	0.6%	1,400,969	0.6%
02375 6901-02 Indrct Activty Prog 02	111,547	0.1%	113,409	0.0%	113,410	0.0%
02688 6901-Tanf Overpayments	94,725	0.0%	94,725	0.0%	94,725	0.0%
02698 69010-Prevention&Stabilization	732,601	0.4%	832,584	0.4%	837,144	0.4%
02772 Tobacco Hlth & Medicd Initiative	-	-	58,936	0.0%	59,213	0.0%
02974 Univ Low Income Energy Assistance	58,853	0.0%	296,477	0.1%	296,477	0.1%
03000 Total Federal Special Funds	171,219,354	86.3%	195,877,614	85.5%	202,553,331	86.3%
03066 81.042 Bpa	402,908	0.2%	442,408	0.2%	442,408	0.2%
03096 Discretionary Child Care	10,779,567	5.4%	12,806,317	5.6%	12,806,444	5.5%
03109 Tanf Benefits	21,474,912	10.8%	25,522,849	11.1%	25,522,849	10.9%
03135 Hopwa Help Plus	-	-	966,000	0.4%	-	-
03204 Energy Conservation: Exxon	-	-	1,100,000	0.5%	-	-
03236 Child Nutrition	8,850,413	4.5%	9,237,365	4.0%	9,438,954	4.0%
03250 Child Care Manditory/Moe	2,086,198	1.1%	2,086,198	0.9%	2,086,198	0.9%
03251 Child Care Admin	426,763	0.2%	468,358	0.2%	470,896	0.2%
03252 Child Care Matching	4,162,803	2.1%	4,162,803	1.8%	4,162,803	1.8%
03323 Energy Conservation: Stripper	-	-	500,000	0.2%	-	-
03382 03 Indirect Activity Prog 02	10,024,538	5.1%	10,868,481	4.7%	10,885,661	4.6%
03467 6901-Homeless Mgmt Info Systm	-	-	66,980	0.0%	66,980	0.0%
03519 93.045 - Aging Meals 100%	38,758	0.0%	38,758	0.0%	38,758	0.0%
03523 93.566 - Refugee Soc. Serv	100,794	0.1%	100,794	0.0%	100,794	0.0%
03539 93.600 Headstart	112,704	0.1%	112,436	0.0%	112,441	0.0%
03543 6901-Foodstamp Outreach 10.561	650	0.0%	650	0.0%	650	0.0%
03544 10.561 - Fs E & T - 50%	217,002	0.1%	217,002	0.1%	217,002	0.1%
03545 10.561 - Fs E & T - 100%	275,044	0.1%	276,712	0.1%	276,875	0.1%
03546 10.561 - Fs Adm - Fed Exp 50%	1,153,951	0.6%	1,184,334	0.5%	1,183,443	0.5%
03547 10.568 - Emerg Food Assist 100	141,147	0.1%	147,814	0.1%	147,814	0.1%
03548 10.569 - Food Distr - Fed Exp	1,714,461	0.9%	1,750,691	0.8%	1,750,634	0.7%
03550 14.231 - Emerg Shelter - Hud 5	388,568	0.2%	403,000	0.2%	403,000	0.2%
03552 81.042 - Weather Ben 100%	2,522,625	1.3%	2,623,349	1.1%	2,623,349	1.1%
03571 93.566 - Off Ref Reset Adm 10	35,494	0.0%	35,494	0.0%	35,494	0.0%
03572 93.568 - Lieap Blk Grt Adm	11,765,182	5.9%	14,248,845	6.2%	14,275,440	6.1%
03573 93.569 - Csbg Adm	3,034,833	1.5%	3,034,833	1.3%	3,034,833	1.3%
03580 6901-93.778 - Med Adm 50%	175,239	0.1%	235,421	0.1%	235,821	0.1%
03669 Doe Region 8	91,534	0.0%	91,534	0.0%	91,534	0.0%
03677 6901-Cacfp 10.558 & 10.560	466,943	0.2%	531,456	0.2%	537,552	0.2%
03678 6901-Food Stamp Benefits	89,998,309	45.3%	101,808,718	44.4%	110,796,690	47.2%

HCSD is supported primarily by federal funds, which comprise 86 percent of the total funding. General fund provides 13.5 percent of the division's funding. General fund support is primarily used to achieve required TANF and child care MOE requirements and match federal programs such as Medicaid and food stamp eligibility determination, and child care benefits. State special revenue comprises the preservation and stabilization fund, I-149 funds, and the Universal Systems Benefits fund on energy and weatherization.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					3,159,373					3,238,409
Vacancy Savings					(878,142)					(881,331)
Inflation/Deflation					96,886					101,111
Fixed Costs					(130,068)					(129,861)
Total Statewide Present Law Adjustments					$2,248,049					$2,328,328
DP 20005 - Intergovernmental Human Services Bureau PL Adj	0.00	0	237,624	2,682,021	2,919,645	0.00	0	237,624	2,682,021	2,919,645
DP 20008 - HCSD Rental Increases for Adm. and County OPA's	0.00	189,272	0	219,433	408,705	0.00	218,089	0	252,079	470,168
DP 20009 - Child & Adult Care Food Program Historical PL	0.00	0	0	400,000	400,000	0.00	0	0	606,000	606,000
DP 20012 - Child Care Discretionary Present Law Adj	0.00	0	0	2,006,171	2,006,171	0.00	0	0	2,006,171	2,006,171
DP 20016 - Child Care FPI, Market Rate, Caseload Inc	0.00	1,741,650	0	0	1,741,650	0.00	2,428,000	0	0	2,428,000
DP 20019 - Food Stamp Benefits	0.00	0	0	11,810,409	11,810,409	0.00	0	0	20,798,381	20,798,381
Total Other Present Law Adjustments	**0.00**	**$1,930,922**	**$237,624**	**$17,118,034**	**$19,286,580**	**0.00**	**$2,646,089**	**$237,624**	**$26,344,652**	**$29,228,365**
Grand Total All Present Law Adjustments					$21,534,629					$31,556,693

LFD COMMENT

The personal services amounts listed above reflect an increase of $3.2 million each year over the base budget. The division moved 400.10 FTE from the standard pay plan 60 to the broadband pay plan 20 and reduced pay plan 60 by 397.7 FTE for a net adjustment of about $0.8 million each year due to market adjustments and class upgrades, which accounts for 25 percent of the increase. Just over 22 percent each year is due the implementation of the pay plan approved by the 2005 Legislature and just under 30 percent each year is due to full funding of positions that were vacant for all or part of the base year. The balance of the increase over the present law base is primarily driven by increases in longevity, health insurance, and benefits.

At the time of budget submission, there were 20 vacant positions and 5.9 percent vacancy savings. According to division staff the division generally averages 20 to 30 vacancies at any given time and holds some positions open to meet vacancy savings. Most vacated positions are left open for 30 days before filling the position, with the very occasional exceptions of one of a kind type positions.

<u>DP 20005 – Increase Spending Authority for the Intergovernmental Human Services Bureau (IHSB) -</u> The Governor requests increased spending authority of $475,000 state special revenue universal systems benefits fund , which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities and spending authority of $5.4 million federal revenue over the biennium for federally funded grants. The increase includes authority for truck driver overtime of $3,000 each year in two of the federal grants because this expenditure was removed from the base. Overtime has been used in the past for truck drivers to respond to disasters with the delivery of food and to extend trips to deliver to senior centers and food banks in remote parts of the state.

Figure 18
IHSB Present Law Adjustment Request

	FY 2008	FY 2009
Overtime	$3,000	$3,000
Professional Services	71,000	71,000
To Local Agencies	42,000	42,000
Other	36,632	36,632
Social Assistance	2,767,013	2,767,013
	$2,919,645	$2,919,645

Increased LIEAP funding would increase the average household benefits approximately $102 over the base. The funds help ten Human Resource Development Council's (HRDC's) provide: low-income persons with energy assistance, weatherization, and emergency shelter; housing assistance for persons with AIDS; commodity food distribution; and work on local solutions to problems of poverty. Services extend to agencies on aging, four food banks, two AIDS councils, two out of state agencies, and all seven tribes receive services. The division estimates the additional federal authority could help serve an additional 134 low-income households with weatherization assistance and the state special revenue authority could provide energy savings to 76 low-income households of approximately 15 percent.

DP 20008 - HCSD Rental Increases for Adm. and County OPA's - The executive budget includes a request of nearly $0.9 million over the biennium for cost allocated spending authority of $400,000 general fund and $472,000 federal revenue associated with rent increases in the Offices of Public Assistance (OPA) and HCSD Administration in non-Department of Administration for buildings.

LFD COMMENT

The 2005 Legislature provided $1.3 million for the program in FY 2006. Actual expenditures in FY 2006 were $1.5 million due a relocation that was unknown last session.

According to information provided by division staff, rent for OPA offices is projected to increase by $245,000 from FY 2007 to FY 2008 and $54,500 from FY 2008 to FY 2009. The OPA increase appears to be due to a new proposed location in Cut Bank and Browning that will charge $36.00 per square foot, which increases rent projections from $67,000 in FY 2007 to $201,000 in FY 2008 and $204,000 for FY 2009.

DP 20009 - Child & Adult Care Food Program Historical PL - The Governor requests $1 million federal funds over the biennium for the CACFP, reflecting the anticipated 2.4 percent historical increase in program reimbursement rates as set by the Department of Agriculture. CACFP is a federal USDA entitlement program to support nutritional services in care settings through regulation and reimbursement to adult and childcare organizations. Meal service delivery has been decreasing in family and group homes, but increasing in child care center facilities. The increased federal spending authority would support annual delivery of 7.7 million meals over the biennium to children in child care facilities.

The following two decision packages relate to child care. There is further discussion under TANF spending in the program narrative, and the justification and goals following DP 20016 relate to both requests.

DP 20012 - Child Care Discretionary Present Law Adj - The executive requests $4 million over the biennium to enable child care to receive a TANF funding transfer into the discretionary funds of the Child Care Development Fund in support of affordable and accessible child care. The division estimates increased federal spending authority would support 175 working families and 300 children. Additionally, funding would serve 50 child care providers and support over $41,846 for quality educational programs throughout the state.

LFD COMMENT

The 2005 Legislature provided $13.8 million funding for the child care discretionary fund to maintain funding at the FY 2005 level of $25.6 million. Included in this appropriation was a TANF transfer to provide the child care discretionary fund $7 million for FY 2006 and $9 million for FY 2007, in addition to an increase in general fund of $2.4 million in FY 2006.

The Governor requests $4 million over the 2009 biennium to enable child care to receive a TANF funding transfer into the discretionary funds of the Child Care Development Fund. As the legislature discusses this request, it may wish to consider that:

- As shown in Figure 19 the division did not use the full amount intended by the 2005 Legislature, and
- The TANF block grant is in a deficit position of $3 million by FY 2011. While the goals and objectives expressed below address the management of the funding related to child care, there is no evidence that the division has a plan to address the decrease of the TANF block grant.

Figure 19
Child Care Discretionary Fund Transfer

	FY 2006	FY 2007
Appropriated by the 2005 Legislature	7,287,356	9,606,006
Reflected in the Division TANF Tracking Sheet	5,436,288	8,051,010

The legislature may also wish to discuss this decision package in light of the competing priorities for federal in TANF funds: cash assistance; child care; Tribal support; and the Internet technology legislation.

There is additional information and a summary of child care funding in the program narrative. Discussion continues in the next proposal.

<u>DP 20016 - Child Care FPI, Market Rate, Caseload Inc -</u> The Governor's budget includes a $4.2 million general fund request for the Childhood Services Bureau (ECSB) to maintain child care reimbursement rates for parents at the 75th percentile of the annual market rate survey, to maintain eligibility for the Best Beginnings Child Care scholarship program at 150 percent of the current federal poverty level (FPL), and support a 4 percent case load increase for low income working parents. Figure 20 shows the distribution of funds for the request.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Figure 20
Child Care Discretionary Present Law Request

	Federal Poverty Level	Market Rate at 75th percentile	Case Growth	Case Growth Funds	Total
FY 2008	$180,000	$602,000	$205	$959,650	$1,741,650
FY 2009	187,000	679,000	376	1,562,000	2,428,000
Total	$367,000	$1,281,000	$581	$2,521,650	$4,169,650

Justification: Funding helps low-income families pay for child care while they work. As families earn more, they contribute more to the cost of care until eventually they are responsible for the entire cost. Although the upper limit of the sliding fee scale is set at 150 percent of FPL, 66 percent of the families receiving subsidies are at or below the poverty threshold. The Child Care and Development Fund mandates that low-income families have equal access to the same high quality child care as their more affluent contemporaries. The child care scholarship is often the primary benefit that allows these families to gain true economic self-sufficiency.

Goals:

- Maintain accessible child care reimbursement rates at the 75th percentile of the Market Rate
- Provide eligibility at 150 percent of poverty annually adjusting the program eligibility levels to the current FPL
- Maintain accessible, affordable child care and a child care scholarship program while avoiding a waiting list

Performance Criteria

- All families pay a co-payment to their child care provider, at an average of 3.5 percent of their income
- An estimated 5,570 unduplicated families will be in the work force each year because they receive child care
- An estimated 95 teen parents will be supported through scholarship assistance as they work to complete high school or achieve a GED

Tracking of the performance criteria occurs on many levels through DPHHS data management systems, and is extracted to prepare federal and state monitoring reports, reviewed by agency officials and federal agencies.

Milestones and Risks:

- Conduct a Market Rate Survey each June in light of the 75th percentile of the respective regional rates
- Examine the Federal Poverty Index in July of each year and make appropriate adjustments in the fee scale
- Update administrative rules each year to support these specific documents and conduct training
- Update and submit the CCDF state plan every two years
- Adjustments to the CCUBS automated system will occur in accord with new rates and eligibility during implementation in June and July

DP 20019 - Food Stamp Benefits - The Governor requests $32.6 million of federal revenue authority for the biennium to fund the anticipated caseload and poverty level adjustments.

Justification, Goals and Measurements: With increased funding, an additional annual average of 2,686 cases per month above the base caseload of 35,450 would be funded for SFY 2008 and 4,769 cases per month for SFY 2009. The measurements will be recorded monthly and included in quarterly or annual required reports. From July 2001 to June 2006, the food stamp benefit cases have increased from 27,120 cases per month to 35,450 cases per month.

The increase is primarily due to changes made by the 2002 Farm Bill, which enabled outreach activities. The division has made a outreach a high priority and expanded community partnerships in order to increase use of the Food Stamp Program.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20001 - Energy Assist/Conservation (BIEN/OTO) (Requires Legislation)										
02	0.00	0	0	1,600,000	1,600,000	0.00	0	0	0	0
DP 20002 - Tri-state housing grant for people with AIDS (Bien										
02	0.00	0	0	966,000	966,000	0.00	0	0	0	0
DP 20004 - Homeless Management Information Syst (HMIS) grant										
02	0.00	0	0	66,980	66,980	0.00	0	0	66,980	66,980
DP 20006 - Childcare for Working Caretaker Relative										
02	0.00	0	0	683,784	683,784	0.00	0	0	683,784	683,784
DP 20011 - Ombudsman Funding-Warm Hearts/Homes - OTO										
02	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 20020 - TANF Cash Benefit Increase										
02	0.00	0	0	2,228,983	2,228,983	0.00	0	0	2,228,983	2,228,983
DP 20022 - Individual Development Account (IDA) Biennial Appr										
02	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 20023 - Restructuring Blackfeet Tribal Plan										
02	0.00	0	0	1,135,170	1,135,170	0.00	0	0	1,135,170	1,135,170
DP 20907 - Child Care Funding Swap for PSF										
02	0.00	(99,983)	99,983	0	0	0.00	(104,543)	104,543	0	0
DP 20908 - Low Income Energy Assist. Prgm OTO										
02	0.00	2,000,000	0	0	2,000,000	0.00	0	0	0	0
Total	0.00	$2,400,017	$99,983	$6,680,917	$9,180,917	0.00	$395,457	$104,543	$4,114,917	$4,614,917

DP 20001 - Energy Assist/Conservation (BIEN/OTO) (Requires Legislation) - The Governor requests a one-time-only biennial appropriation of $1,600,000 to use the energy conservation and energy assistance federal special revenue accounts for low-income energy assistance or low-income weatherization and submit legislation to change in 90-4-215, MCA, effective immediately, to allow the funds to be spent. The 1987 Legislature (HB 621) established the federal special revenue account to accept the energy conservation and energy assistance funds when the department received cash distributions. However, the enabling legislation contains a clause restricting the use of the principal in the funds to a time when either weatherization or energy assistance grants fall below the 1987 funding levels. At that time the funding level was $11,035,480 and the DOE grant at that time was $1.6 million. Although authority of $1.45 million was approved for the last biennium, it could not be spent because both the DOE and LIEAP grants were larger in those years than they were in 1987.

LFD COMMENT The Governor proposes legislation to change section 90-4-215, MCA effective upon passage to allow funds to be spent in the FY 2007 heating season and beyond. The $1.6 million corpus of the state special revenue fund is a fixed amount and grows only by interest earned. State statute prohibits expenditure of anything but the interest earned unless the federal grant awarded falls below the 1987 level, which the grant will likely never do.

Figure 21
Fund Balance for Energy Conservation

	FY 2006	Projected FY 2007	Projected FY 2008	Projected FY 2009
Beginning Balance	$1,478,435	$1,515,469	$98,237	$79,212
Liabilities	(24,232)	(24,232)	(24,232)	(24,232)
New Proposals	0	0		0
Available for FY 2007	0	1,450,000	0	0
Revenues				
Interest	61,266	57,000	5,207	4,198
	0	0	0	0
Ending Balance	$1,515,469	$98,237	$79,212	$59,178

Source: Beginning fund balance is from SABHRS as of 12/02/2006
All other entries are from the agency fund balance entry in MBARS

As shown in Figure 21, the combined beginning fund balance for FY 2007 is $1.5 million. LFD staff carried the actual FY 2006 liabilities amount forward as an estimate. LFD staff entered the annual average interest revenue of $57,000 for FY 2007 and used the 5.3 percent yield received from the Board of Investments that is based upon an average five month yield for FY 2007.

The Governor's legislation proposes to strike the following line in 90-4-215 (2), MCA and allow the principal to be expended:

"However, the department may use the principal of the account only if the federal grants for either of theses programs are reduced below the federal fiscal year 1987 level. The department may not use the principal to increase expenditures to either program above the level of the federal grant for that program for federal fiscal year 1987."

DP 20002 - Tri-state housing grant for people with AIDS (Bien) - The Governor requests a biennial appropriation of $966,000 federal funds for the Housing Opportunities for Persons with AIDS (HOPWA) Tri State HELP (Housing Environments for Living Positively) Plus Grant received from U.S. Department of Housing and Urban Development (HUD). This grant is the second HOPWA grant received by DPHHS.

Justification: Notice of the HOPWA HELP Plus grant award was received in January of 2006 and initially established through the budget amendment process. This proposal continues the appropriation authority. The department contracts with Montana State University Extension Service to collect and analyze the required data, conduct an ongoing assessment of the services and submit progress schedules for completion of activities required under the award. The department also contracts with agencies in Montana, South Dakota, and North Dakota to provide rental assistance, supportive services, and emergency assistance to persons living with AIDS. Addressing these needs reduces the risk of homelessness for people with HIV/AIDS and ends the cycle of chronic homelessness, reducing further HIV transmissions and ensuring that clients are obtaining the medical services and care they need.

Outcomes: Long-term rental assistance will be provided to an estimated 49 persons and their families living with HIV in Montana, North Dakota and South Dakota. Funding for short-term/emergency assistance will be provided in Montana to approximately 30 households per year. The addition of an intensive housing case management service in all three states will help provide new and existing clients an expanded range of services related to obtaining and maintaining safe and stable housing, serving approximately 158 persons per year.

DP 20004 - Homeless Management Information Syst (HMIS) grant - This request is to establish a federal appropriation of $66,980 per year for the Homeless Management Information System (HMIS) grant originally received in June of 2004 from HUD. The initial grant was to help the state meet a federal mandate requiring recipients of federal McKinney-Vento Homeless Assistance Act funding to use an information system for data collection. It allowed DPHHS to make the system available and provide training. Agencies required to use the system include the Human Resource Development Councils (HRDC's) and some emergency shelter facilities under their direction. The federal goal is to have all statewide providers of homeless services use the HMIS system for tracking and reporting. All permanent supportive housing facilities are required to use the HMIS system, and other agencies are encouraged to use it. Data from the system would be used to provide reports to HUD and the state.

DP 20006 - Childcare for Working Caretaker Relative - The Governor requests $1.4 million to use federal TANF funding authority for the 2009 biennium to provide child care for working caretaker relatives of children eligible for the TANF child-only grant because regulations governing the Child Care Development Fund use the income of the grandparent/caretaker when determining eligibility for child care assistance. Federal TANF funds for this request are separate from funds transferred to the CCDF.

Justification: There are approximately 130-150 child only cases fitting this situation. Of these, it is estimated that 56 families have grandparents/caretakers working and in need of child care assistance. The cost of child care would be $25 per day for infants and $22 per day for children aged 2 and above. If these 56 families have 2 children in each family, one infant and one older child, the approximate cost of serving these families would be $56,982 per month based upon 4.33 weeks in a month.

Goals: 1) To stabilize the lives of children who are unable to be cared for by their parents, and to prevent these children from entering the child welfare system; and 2) to provide TANF-funded child care to approximately 56-60 working caretaker relatives and allow them to continue employment while caring for these children.

Performance Criteria:_ The Public Assistance Bureau, in conjunction with the Early Childhood Services Bureau, will structure the eligibility requirements and payment mechanism for approving childcare for TANF-eligible children with employed caretaker relatives and provide information to those potentially eligible. This proposal may decrease the number of grandparents requesting to be licensed as foster homes although it may be difficult to measure whether or not this service is the sole reason for that decrease. Specifically, the outcomes measured would be whether or not the policy and structure is in place, number of employed caretaker relative families using the childcare services, and benefits to the family experienced through the availability of the childcare services.

Milestones:
May-June 2007 – Policy and procedures developed for working caretaker relative childcare program
June 2007 – Notification of potentially eligible working caretaker relatives
July 2007 – Working caretaker relative childcare program begins
Monthly – Monitor number of working relative caretakers with childcare benefits
Quarterly - Monitor number of foster care licensing and placements for grandparents
January 2008 – Survey working caretaker relative childcare users

LFD COMMENT

This grant also reduces the TANF block grant, which is in a deficit position. While the goals and objectives indicate serving approximately 56-60 working caretaker relatives, there is no evidence that the division has a plan to address the status of the TANF block grant.

The legislature may also wish to discuss this decision package in light of the competing priorities for federal TANF funds: cash assistance; child care; Tribal support; and the Internet technology legislation, and may wish to consider:

- A one-time-only, restricted designation of this appropriation to allow the next legislature to evaluate the measurements and the status of the TANF block grant
- Requesting that for the next biennium, all present law and new proposals are presented with both a list of priorities as well as goals and objectives

DP 20011 - Ombudsman Funding-Warm Hearts/Homes - OTO - The Governor requests a one-time-only general fund appropriation of $600,000 over the biennium for the Energy Ombudsman program, which was approved by the 2005 Legislature. Funding would be used for case management staff at human resource development councils (HRDC's), who aid people needing emergency energy assistance, and for the cost of installation and low-cost/no-cost weatherization materials for the Warm Hearts/Warm Homes program.

Justification: The division used the 2005 legislative appropriation by dividing funds evenly among the state's HRDCs to: 1) encourage participation in LIEAP, Energy Share, USB, and other emergency energy assistance programs; 2) move

low-income households toward energy self-sufficiency; 3) address energy related emergencies; and 4) augment the Warm Hearts in Warm Homes Program that focused on low cost energy conservation measures to needy LIEAP households that would not receive full-fledged weatherization. While 605 homes were assisted, the majority of recipient households indicated a need for Energy Ombudsman services. Future Energy Ombudsman activities would expand the pool of trained volunteers involved in installing energy conservation measures, providing outreach to un-served households. General Fund is requested because federal funding for LIEAP and weatherization assistance is insufficient to provide the proposed case management and referral services.

Other Warm Hearts in Warm Homes services to be offered low-income households will include energy education, Montana property and income tax credit information, reverse annuity mortgage information, energy assistance, federal earned income tax credit information, budget counseling, furnace safety inspections; and referral to other energy, aging, nutritional, housing, child care, health care, educational, and emergency service programs.

Goals and Performance Criteria: The goal is to continue the work started with the 2005 appropriation by: 1) Providing case management and referral services to at least 500 low-income households; 2) supporting Montana Conservation Corp (MCC) efforts to install low-cost energy conservation measures in 1,843 low-income homes per year; 3) expanding the pool of Warm Hearts in Warm Homes volunteer installers to a level sufficient to provide a minimum of 200 additional low-income households low-cost energy conservation measures; 4) providing volunteer installers sufficient to expand the number of homes served by 5 percent annually. The performance criteria of the program would be monitored and measured by tracking referrals, households served, services provided to households served, and expenditures. This information would be tracked using quarterly reports from subcontractors, data from the LIEAP computer system, and the contracts management subsystem.

Milestones: Key activities shall be completed as follows:

- Recruiting and training Conservation Corp and other volunteers (July-August)
- Provision of outreach services (September – June)
- Provision of case management and referral services (September – June)

Risk: If the proposal is not adopted, LIEAP households will not receive the services outlined above.

DP 20020 - TANF Cash Benefit Increase - The executive is requesting $4.4 million for the biennium of federal authority to increase TANF cash benefits. The increase will raise the cash benefit standard from 33 percent of the 2005 federal poverty level to 33 percent of the estimated 2007 federal poverty level. The TANF case load has remained fairly stable in SFY 2006 and an average case load of 3,877 cases was used to project the cost of this increase.

LFD COMMENT

Please see the discussion in the program narrative in for the TANF program and the federal Deficit Reduction Act. Figure 22 shows the potential increase for 33, 35, and 37 percent.

The TANF caseload is presently in decline. Should this trend continue, the stress on the TANF block grant could be eased to some extent. However, the legislature may wish to discuss this decision package in light of the competing priorities for federal TANF funds as it considers whether or not to increase cash assistance.

Figure 22

Number in Family	100 % of the 2005 FPL	33 % Benefit at 2005 FPL	100 % of the 2007 FPL	33 % Benefit at 2007 FPL	35% Benefit at 2007 FPL	37% Benefit at 2007 FPL
2	$1,069	$263	$1,122	$370	$393	$415
4	$1,613	$532	$1,693	$559	$593	$626

DP 20022 - Individual Development Account (IDA) Biennial Appr - The Governor requests a one-time-only, biennial appropriation of $0.4 million general fund to provide the required non-federal cash match for individual development accounts (IDA's) established through the Family Assets for Independence (AFI) program. The Administration for Children and Families, Office of Community Services (OCS) has a standing announcement and accepts applications for financial assistance to establish and administer IDA/AFI Projects.

Justification: The projects assist low-income people to become economically self-sufficient by teaching them about economic and consumer issues and enabling them to establish matched savings accounts, in order to save for a first home, a business, or higher education. Depending on the size of the federal grants secured and the number of IDA projects administered, up to four hundred low-income recipients could benefit from the matching funds provided.

Goals: The IDA/AFI goal is to empower individuals and families to move up and out of poverty. In Montana, non-profit community based organizations would be encouraged to apply for the federal grants and administer the projects, using this funding as the required non-federal cash match of at least 50 percent of the total approved cost of the projects. The target recipients will have demonstrated qualifications by having stable housing, health, employment, and transportation and have made or are willing to make the commitment to participate voluntarily in personal, financial and economic growth through the IDA/AFI project. General fund monies are needed to provide the match to make these projects a reality.

LFD ISSUE

The division has not supplied goals, objectives and a timeline for implementation for the partnership of the division and the non profit entities. There is also no indication of the intended lifespan of the program beyond the 2009 biennium. It is not evident that there are non-profits ready and opting to start a program. The legislature may want to ask for more specific information during the division's testimony that could include:

- Goal and objectives for the program, a timeline for implementation, and how the non-profit projects will be monitored and by whom
- The division's plan to ensure the matching funds are mobilized prior to the end of FY2009 when the authority expires
- The division's vision of income eligibility requirements and guideline for permissible savings goals for the families

Should the legislature wish to approve the request, in addition to the one-time-only, biennial designation, the legislature may wish to restrict the appropriation and articulate measurements for program evaluation and reporting to assist the next legislature in evaluation of the program. Measurements might include:

- The number of applications, amount of matching funds requested each year
- The number of and initial amount of the IDAs and their value at the end of the each year
- The number of non-profits requesting matching funds for the 2011 biennium

LFD ISSUE CONT.

IDAs are legitimate activities under TANF regulations. The federal DRA allows states the flexibility to use TANF approved activities that are funded by state general fund to count as TANF MOE. The federal DRA also provides the flexibility for states to use local spending as MOE. Using this flexibility, the state could create a state-funded, non-MOE program in the amount of this appropriation ($0.4 million) that would allow the division to take families out of the work participation rate and continue their services outside the work participation rate calculation. The families would not lose their services, but would not be counted in the calculation. The amount of general fund would not be altered. Any funds the local non-profits spend on the project would also count. Ultimately there could be more than $0.4 million available.

This may be an opportunity for the legislature to consider the flexibility provided by the federal DRA and partnerships with non-profits for local funding rather than using general fund. There is additional information in the program narrative DRA discussion.

DP 20023 - Restructuring Blackfeet Tribal Plan - The executive is requesting $2.3 million federal authority for the 2009 biennium to support the restructuring of the Blackfeet Tribal TANF plan. Should the modified plan be approved, the total cost to the department would be nearly $2 million comprising general fund/MOE and TANF federal funds.

To maintain solvency in its TANF plan the Blackfeet Tribe will negotiate a new TANF contract with the federal government. This renegotiation will re-define the service population to be served by the Blackfeet Tribe. The new population will be “eligible families that include all enrolled Blackfeet members in the assistance unit”.

The state TANF program will assume an estimated caseload of 293 cases at an estimated annual cost of $1.5 million to the TANF block grant based upon an estimated benefit level of $430 per month as calculated at 33 percent of the 2007 federal poverty level. (The rate increase proposed in DP 20020) The funding in this request would also allow the state to contract back with the Blackfeet tribe for the WoRC contract. Of the 293 new cases, it is estimated that 196 cases would participate in work activities. The estimated annual cost of the WorC contract for 196 families would be $450,800.

Under the modified plan the Blackfeet would not retain the associated general fund/MOE. The department retains $0.8 million general fund in the base, resulting in a request of $1.1 million each year rather than the total $1.9 million.

LFD COMMENT

In accordance with the federal TANF regulations, a tribe may choose to have its members receive services through the state TANF plan or a tribe may choose to operate its own TANF plan. In Montana, four tribes, the Confederated Salish and Kootenai, the Fort Belknap Indian Community, the Blackfeet, and the Chippewa Cree at Rocky Boys, have chosen to implement a tribal TANF plan.

In general, when a tribe implements a TANF plan, the state's federal grant and maintenance of effort requirement are reduced. Section 53-4-210, MCA, governs the provision of a portion of the state maintenance of effort funds to tribes operating a tribal TANF plan, and provides that $100,000 general fund from existing appropriations be transferred to new tribal TANF plans each fiscal year of the biennium following implementation of the tribal TANF plan.

The 2005 Legislature funded the division with $102,000 in general fund over the biennium to help fund transfers to tribes that had implemented Tribal TANF plans. The legislature also left general fund intact that was included in the base, but no longer needed due to a decrease in the TANF MOE related to implementation of Tribal TANF plans. Figure 23 reflects the Tribal TANF MOE and the adjustments for the Governor's Blackfeet proposal. It also shows the reduction in general fund associated with the required 75 percent MOE, which equates to $13 million at the close of FY 2006.

LFD COMMENT CONT.

According to the division's TANF MOE tracking sheet, because of the general fund provided by the legislature, there is general fund MOE of $14 million at the close of FY 2006, creating a difference of $1 million over the federally required 75 percent MOE amount. While there is more general fund than needed to meet federal regulations, the general fund was needed to meet tribal transition amounts.

Figure 23
A Summary of TANF Tribal MOE Reflecting the Blackfeet Proposal

			Blackfeet Proposal =========		
Summary of Federal Grant Award	FY2003	FY2004	Revised FY2004	Revised FY2005	FY2006
Original State Grant	$45,534,006	$45,534,006	$45,534,006	$45,534,006	$45,534,006
Salish Kootenai Grant	(1,599,224)	(1,599,224)	(1,869,540)	(2,139,915)	(2,139,915)
Fort Belknap Indian Community Grant	(958,012)	(958,012)	(982,257)	(1,006,502)	(1,006,502)
Chippewa Cree Rocky Boy Grant	0	0	(107,691)	(1,255,854)	(1,258,657)
Blackfeet Tribe Grant	0	0	0	(1,029,939)	(3,089,816)
State Grant Award After Tribal Plans	$42,976,770	$42,976,770	$42,574,518	$40,101,796	$38,039,116
Tribal TANF Grants Percentage of Original State Grant					
Salish Kootenai Grant	-3.5%	-3.5%	-4.1%	-4.7%	-4.7%
Fort Belknap Indian Community Grant	-2.1%	-2.1%	-2.2%	-2.2%	-2.2%
Chippewa Cree Rocky Boy Grant			-0.2%	-2.8%	-2.8%
Blackfeet Tribe Grant	0%	0%	0%	-2.3%	-6.8%
Total Percentage Reduction in State Grant	-5.6%	-5.6%	-6.5%	-11.9%	-16.5%
Summary of Maintenance of Effort (MOE)					
at 100 percent of Historical State Expenditures	$20,954,588	$20,954,588	$20,954,588	$20,954,588	$20,954,588
Salish Kootenai	(735,957)	(735,957)	(860,356)	(984,781)	(984,781)
Fort Belknap Indian Community	(440,874)	(440,874)	(452,031)	(463,189)	(463,189)
Chippewa Cree Rocky Boy	0	0	(49,559)	(577,940)	(579,229)
Blackfeet Tribe	0	0	0	(473,974)	(1,421,922)
100 % MOE after Reductions for Tribal TANF Plans	$19,777,757	$19,777,757	$19,592,642	$18,454,704	$17,505,466
Required MOE at 80% of Historical Expenditures	$15,822,206	$15,822,206	$15,674,114	$14,763,763	$14,004,373
Required MOE at 75% of Historical Expenditures	$14,833,318	$14,833,318	$14,694,482	$13,841,028	$13,129,100

Data provided by HCSD, DPHHS

The legislature may wish to request an update from the division with Tribal MOE projections for FY 2007 through FY 2009 for use as it discusses this request and its potential impact on the TANF block grant.

<u>DP 20907 - Child Care Funding Swap for PSF -</u> The executive budget contains a request to decrease general fund by $99,983 in SFY 2008 and $104,583 SFY 2009 with like increases in the state special revenue Prevention and Stabilization Fund (PSF). The funding switch would maintain the total authority of $1,033,312 for Child Care for each year of the biennium. The prevention and stabilization fund receives revenue from the utilization fee on resident bed days at institutions. It is estimated that there will be enough state special revenue from the fees to reduce general fund.

<u>DP 20908 - Low Income Energy Assist. Prgm OTO -</u> The Governor requests one-time-only biennial authority for $2 million general fund to supplement low-income energy assistance benefits throughout the state including the Crow Reservation. Last year 21,554 households were served and it is estimated that approximately 22,700 households including residents of the Crow reservation could be served each year of the biennium. Six reservations run their own federal LIEAP programs, and would receive about 17.5% of the request or $0.35 million for contracts under Tribal administration. Funding of $2,000,000 will result in approximately $73 increase in the average benefits per household over two years.

LIEAP funding was at an all time high for the 2005/2006 heating season and the program was able to cover 78 percent of the average winter heating bill in Montana. Federal funding is not expected to increase in the 2009 biennium as indicated in the president's request for FFY 2007 federal funding that is 37 percent less than last year. For the 2006/2007 heating season, the Montana program is expected to cover only 49 percent of the average heating bill after taking into account changes in fuel prices. The number of households participating in the state LIEAP program has increased over 50 percent in the last six years.

The Governor's budget also requests energy assistance in its proposal for $1.6 million federal authority to expend energy conservation funds, and within the present law adjustment request for IHSB or $0.4 million state special revenue and $5.4 million federal revenue (see DP 20005).

The legislature may wish to consider the pending legislation giving the Governor emergency authority to use general fund in an energy emergency as it considers this request.

Language
Energy Assistance/Conservation authority is contingent upon the passage of legislation, LC0474 (reference DP 20001)

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	351.45	0.00	19.00	370.45	0.00	24.00	375.45	375.45
Personal Services	15,515,496	1,482,593	822,573	17,820,662	1,530,817	1,038,717	18,085,030	35,905,692
Operating Expenses	4,189,701	575,586	86,525	4,851,812	640,393	106,000	4,936,094	9,787,906
Equipment	0	87,121	0	87,121	87,121	0	87,121	174,242
Grants	6,486,919	0	0	6,486,919	0	0	6,486,919	12,973,838
Benefits & Claims	28,991,714	5,416,953	1,002,527	35,411,194	8,905,309	1,002,527	38,899,550	74,310,744
Debt Service	84,834	0	0	84,834	0	0	84,834	169,668
Total Costs	**$55,268,664**	**$7,562,253**	**$1,911,625**	**$64,742,542**	**$11,163,640**	**$2,147,244**	**$68,579,548**	**$133,322,090**
General Fund	25,173,114	4,493,483	2,988,923	32,655,520	6,632,102	3,130,261	34,935,477	67,590,997
State/Other Special	2,126,337	(6)	266,787	2,393,118	(5)	266,787	2,393,119	4,786,237
Federal Special	27,969,213	3,068,776	(1,344,085)	29,693,904	4,531,543	(1,249,804)	31,250,952	60,944,856
Total Funds	**$55,268,664**	**$7,562,253**	**$1,911,625**	**$64,742,542**	**$11,163,640**	**$2,147,244**	**$68,579,548**	**$133,322,090**

Program Description

The Child and Family Services Division (CFSD) provides state and federally mandated protective services to children who are abused, neglected, or abandoned by receiving and investigating reports of child abuse and neglect, working to prevent domestic violence, helping families to stay together or reunite, and finding placements in foster or adoptive homes, and other programs designed to support the overarching mission of CFSD to keep children safe and families strong. CFSD oversees five regional offices that administer programs and are advised by Local Family Services Advisory Councils and a Native American Advisory Council, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

Program Highlights

Child and Family Services Division
Major Budget Highlights

- The $17.2 million general fund increase contained in the 2009 biennium budget is over 34 percent greater than the 2007 doubled FY 2006 base general fund due primarily to about $2.0 million in statewide and other present law adjustments and:
  - Increased foster care and subsidized adoption caseload - $7.9 million
  - Cost shifts due to the Deficit Reduction Act - $4.1 million
  - Changes in the Federal Medical Assistance Percentage (FMAP) - $0.9 million
  - Requested new proposals for staffing - $1.0 million
- The $4.5 million federal fund decrease contained in the 2009 biennium budget is due primarily to:
  - Increased foster care and subsidized adoption caseload - $6.4 million
  - Statewide and other present law adjustments - $3.5 million
  - An offset of about $5.0 million the Deficit Reduction Act and changes in FMAP
- Major improvements to the Child and Adult Protective Services System (CAPS) are included in legislation for technology Improvement and are estimated at $4.9 million general fund and $4.0 million federal funds

LFD Major Issues

- The foster care caseload may be overestimated

Program Narrative

Over the past several years Congress and state legislatures have addressed the provision of protective services faced by CFSD and its counterparts nationwide on both the policy and financial front, as a means to ensure the best possible programs are funded, established, monitored, and nurtured.

At the forefront of this improvement process was the congressionally authorized review of state child welfare systems called the Child and Family Services Reviews (CFSR or review), which began in 2002.

There are two primary factors that have governed the evolution of CFSD over the past few years. The first is the review and its impact on the CFSD, and the second is an effort to reduce the use of general fund by increasing federal funding and state special revenue that was implemented by the 2003 Legislature in the areas of: 1) targeted case management; 2) Title IV-E eligibility for children in foster care; and 3) increasing Social Security benefits for children in foster care.

The Federal Child and Family Services Reviews and Compliance with IV-E Requirements

The 2005 Legislature addressed two federal reviews of CFSD services and responded with initiative support. The reviews were:

- The Administration for Children and Families (ACF) Review in FY 2002 focused on evaluation and compliance based upon newly developed positive outcome performance measures for children in the areas of safety, permanency, and well-being. Montana did not achieve compliance on all outcomes, and negotiated a program performance improvement plan (PIP) that received federal approval in January of 2004 and federal notification of successful completion in May, 2006
- A review of the federal Title IV-E eligibility compliance was completed in June of 2003. Compliance issues were found, and the CFSD estimate that about 60 percent of the children CFSD served during the biennium would be eligible for Title IV-E funding was reduced to about 38 percent eligibility. The division had to pay back the federal funds for ineligible children, and incurred a budget shortfall of $1.1 million for FY 2005. CFSD negotiated a two-year corrective action plan to address the compliance issues in this review. ACF conducted a follow-up Title IV-E review in July, 2006. The compliance rate in the 2006 review was 99.3 percent compared with a compliance rate of 63.7 percent in the 2003 review

To assist the division with workload and federal compliance issues the 2005 Legislature rejected a proposed reduction in staffing that would have removed $0.5 million for support of about 6.35 FTE, and provided an additional $0.5 million for the biennium to reduce the vacancy savings rate for field staff from 4 to 2 percent.

Previous Legislative Action

Figure 24 shows the decrease in general fund in the 2005 biennium that resulted from the 2003 Legislature's approval of three options for the division to reduce general fund by increasing federal funding and state special revenue mentioned earlier. Many states made the same efforts to increase federal funding and decrease use of state revenues. Congress eliminated most of this opportunity in a federal budget balancing effort and the passage of the federal Deficit Reduction Act, which is one of the drivers of the 2009 biennium increase in general fund reflected in Figure 24.

Figure 24
Use of the General Fund

Biennium	General Fund	Increase/decrease
2003 Actual	$43,162,557	
2005 Actual	40,970,711	-5.1%
2007 Actual	51,958,876	26.8%
2009 Projected	$67,618,291	30.1%

The increase in general fund for the 2007 biennium was due to the legislative efforts to: 1) address staffing, that was mentioned earlier; 2) provide substantial increases in foster care, subsidized adoption, and targeted case management to help address division growth in response to the review and case load growth; and 3) to support a rate increase for family and group home foster care providers.

Addressing Present Issues

The Governor's total biennial budget is nearly a 19 percent increase over the 2007 biennium total budget. It includes

$18.7 million in present law adjustments and $4.1 million in new requests over the biennium. The Governor's requests respond to federal DRA changes, increases in foster care and subsidized adoption caseloads, and provides for more social workers to address workloads. Although the Governor's budget does tie to division goals, it has a potential $20.5 million impact on the general fund, $5 million of which is contained in technology legislation for the Child & Adult Protective Services (CAPS) computer system.

Policy and fiscal concerns for the 2007 Legislature include balancing funding to CFSD infrastructure support, while addressing the following major drivers of increased general fund (listed with amounts recommended by the Governor):

- Cost shifts due to the federal Deficit Reduction Act - $4.1 million
- Growth and changes in caseload - $7.9 million
- Requested new proposals for staffing - $1.0 million
- Increasing state share from FMAP - $0.9 million
- The CAPS computer system (other legislation) - $4.6 million

The major issues are addressed below.

<u>The Federal Deficit Reduction Act (DRA)</u>

The DRA impacts three areas of the CFSD programs and increases general fund recommended by the Governor by about $4.1 million over the biennium with an equal reduction in federal funds:

- Elimination of targeted case management - $3.6 million
- Elimination of TCM mental health benefits provided by the Health Resources Division - $375,000
- Elimination of IV-E match in certain situations - $172,000

There is a full discussion of the federal Deficit Reduction Act in the agency summary at the beginning of Section B of this volume.

Targeted Case management

Targeted case management is a group 'targeted' by the department to receive case management for child welfare services as a Medicaid reimbursable service. The 2005 Legislature supported a case management proposal, which would allow eligible children in the child welfare system to receive federal Medicaid funding for some services rather than using general fund.

The division believes that the DRA final rules could disallow: 1) TCM Medicaid reimbursement for case management services provided by child welfare workers programs, effective January 1, 2006; and 2) mental health case management for children in foster care that is available from other sources such as the Health Resources Division. Although the state has not received final guidance from the federal Medicaid agency, it has submitted requests of about $3.7 million in general fund over the biennium in anticipation of an equal loss of federal funds. There is further discussion with present law and new proposal sections.

Kinship Care and Home of Removal

The DRA narrows the licensing requirement of relative caregivers retroactive to October 1, 2005, impacting administrative funding attached to children in unlicensed foster care homes that the division was previously allowed to claim. The division does not expect this change to impact services currently provided to children in the foster care system, but is waiting for clarification from the Administration on Children and Families with regard to how this provision should be implemented. The Governor has submitted a $172,000 request to cover the loss of federal funds that is further discussed in the new proposal section.

The DRA also changed the home of removal requirement determining that a child's eligibility must now be based on the home from which the child was legally removed due to allegations of abuse and neglect, *not* based on the home the child resided in over the past six months *or* the home of removal. The division does not expect the change to impact the services currently provided, but does estimate about 20 children will no longer be eligible for Title IV-E funding, and the division could experience a loss of about $75,000 per year in federal funds, which the division intends to absorb in its budget and not submit a funding request.

The 2007 Children, Family, Health and Human Services Interim Committee opted to introduce legislation to clarify support given by relative caregivers in areas ranging from consent medical attention and school enrollment to continuing custody and rights to contact with grandchildren. As of this writing there are no fiscal notes attached to any of the legislation.

Addressing systemic change

Two issues addressed by the 2005 Legislature were also examined by the 2007 Children, Family, Health and Human Services Interim Committee. One related to staffing of CFSD services, and the other was the growth in both foster care and subsidized adoption case load primarily driven by: 1) more children going into subsidized adoption than aging out; 2) an increase in the number of children needing out-of-home placement for safety; and 2) the increased length of time children spend in the system due to addictions of the birth parents.

Foster Care and Subsidized Adoption Caseload

The growth in caseload and expenditures in foster care and subsidized adoption are projected in Montana and nationwide to be challenging, increasing drivers of both increased use of the general fund and management issues related to social worker to caseload ratios, recruiting foster and adoptive parents, and reimbursement rates for individual or non-profit service providers. The historical increases in the number of foster care and subsidized adoption clients and related costs are shown in Figures 25 and 26.

Figure 25

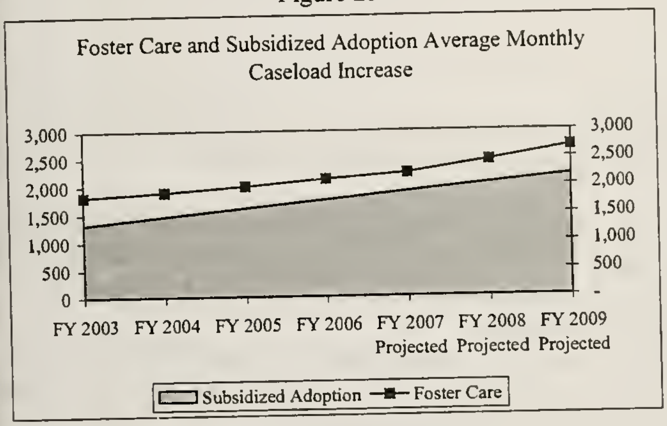
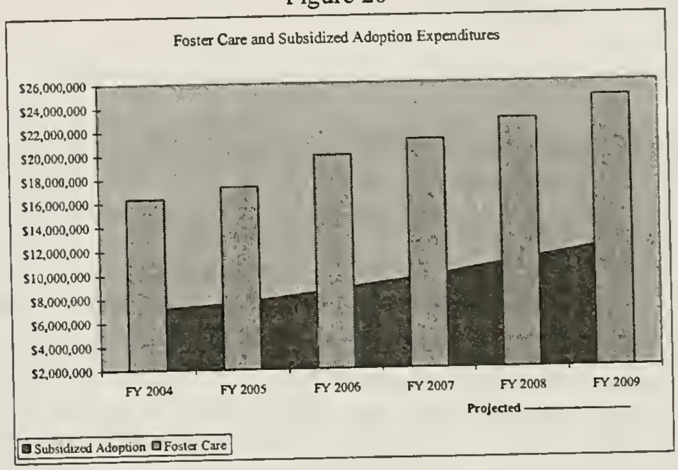


Figure 26



Foster care and subsidized adoption expenditures are projected to steadily increase. The primary factor for both increases is substance abuse, including methamphetamine, which has increased the difficulty of family reunification as children are faced with longer out-of-home placement while families learn to manage addictive behavior. Additionally, research indicates that children born under the influence of 'meth' show increased levels of disability, which increases the eligibility for subsidized adoption, and complicates caseload growth in a program in which the number of new adoptions for children with special needs presently exceeds the number of children aging out of the program. The negotiation of new subsidized adoption contracts also increases costs because new subsidies are generally negotiated at a higher reimbursement rate than earlier contracts.

The growth of general fund becomes graphic when one compares the actions of the past two legislatures to the requests facing the 2007 Legislature that addressed foster care and subsidized adoption caseload increases and related expenditures.

- The 2003 Legislature appropriated $2.5 million general fund for an increase in subsidized adoption (there was no request for a foster care increase)
- The 2005 legislature approved $3.3 million in general fund comprising a $1.3 million increase in general fund for foster care case load and $2.0 general fund for subsidized adoption
- The 2007 legislature could consider $7.8 million in general fund comprising $2.2 million for increased case load for subsidized adoption and $5.6 million for foster care.

The requests are discussed in greater detail in the present law section of this analysis.

The Governor's budget includes funding for a 10 percent increase per year in foster care caseload and about an 11 percent increase per year in subsidized adoption.

Staffing Issues
As mentioned earlier, the 2005 Legislature intended to assist the division with workload and federal compliance issues. It was the intent of the legislature that CSFD use a reduction from 4 percent to 2 percent in vacancy savings for field staff to fill positions quickly. However, the division still has issues with recruitment and retention.

The Governor included a request that the 2007 Legislature consider $1.7 million ($1.0 million of general fund) for 20 new FTE to respond to this issue. There is further discussion about the request in the new proposal section below. However, the legislature may wish to discuss proactive strategies to identify the actual present and future staffing needs, costs, and potential funding streams.

- Does the division have a three to five year projection of staffing numbers and costs that tie to its foster case and adoption goals and objectives?
- How many social workers are presently needed to perform at the optimum for federal and state goals and objectives? How does the state recruit, train, support, and retain social workers?
- What is the division's approach to community partnerships? Is there an opportunity for cost savings if better partnerships are developed?
- If the legislature funds the request for FTE, how would the division measure the success of the appropriation fiscally and systemically?

There is further discussion in the new proposal section.

<u>The Child & Adult Protective Services System (CAPS)</u>
CAPS is an automated social services information system covering all major program areas of child and adult protective services and juvenile corrections including case management and billing or payment processing functions.

CAPS is funded, maintained, and supported by the Technical Services Division (TSD) of this department and funding is contained in the TSD budget. The legislature will hear testimony on the CAPS system in conjunction with a statewide IT long-range planning program bill and the Health and Human Services Subcommittee will discuss the CAPS system in the context of the TSD budget request of $8.8 million for the CAPS system through:

- Present law increases of $220,000 for a system management increase in cost of living and level of effort
    - Level of effort refers to the number of dedicated programming hours (usually 156.7 per month) that a contractor will provide per the terms of the contract for system maintenance
- Other legislation of $8.3 million (at the time of this writing) for a new CAPS system comprising $4.6 million general fund and $3.6 million federal funds.

There is further discussion including LFD recommendations in the Technology Services Division section of this volume of the <u>2009 Biennium Legislative Budget Analysis</u>.

Summary of Benefits and Grants

The combined funds of foster care and subsidized adoption comprise 98.7 percent of the benefit and claims costs of the division. The costs and funding of benefits and claims, and list the grants for FY 2006 and the 2009 biennium are summarized in Figure 27 on page B-48 Grants for in-home and reunification services comprise 31.8 percent of the same category, followed closely by tribal contracts at 26.2 percent. Tribal contracts are primarily for stipends to students obtaining degrees in social work that are funded with federal Title IV-E funding.

The Children's Trust Fund listed in the grant category serves Montana's limited prevention and early intervention services. Although its funds are generally outside of HB2, the trust fund is administratively attached to the department and is primarily funded from the Montana income tax check off, divorce filing fees, and the community-based child abuse prevention grant. State and federal mandates guide trust money to support nonprofit, community-based organizations that provide services and activities dedicated to preventing child abuse and neglect statewide, and focuses on programs that work with children between birth and 5 years of age. Funds from the trust are used as match for the federal community based resource grant. The $41,253 listed is for a grant to be managed by the trust advisory committee.

Figure 27
Child and Family Services Division
Summary of Benefit and Grant Costs and Funding

	Fiscal 2006 Base				Fiscal 2008 Requested				Fiscal 2009 Requested				
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	Percent Total
Foster Care	$10,316,388	$1,996,959	$7,589,020	$19,902,366	$13,144,068	$2,263,984	$8,586,407	$23,994,458	$14,733,202	$2,264,229	$9,299,251	$26,296,682	67.6%
Subsidized Adoption	3,249,291	0	5,346,495	8,595,786	4,299,132	0	6,624,042	10,923,174	4,785,029	0	7,324,277	12,109,306	31.1%
Chafee - Independent Living	0	0	94,240	94,240	0	0	94,240	94,240	0	0	94,240	94,240	0.2%
Chafee - ETV	0	0	155,813	155,813	0	0	155,813	155,813	0	0	155,813	155,813	0.4%
Big Brothers and Sisters	90,000	0	0	90,000	90,000	0	0	90,000	90,000	0	0	90,000	0.2%
In home and Reunification	72,771	0	80,738	153,509	73,369	0	80,140	153,509	73,367	0	80,142	153,509	0.4%
Total Benefits & Claims	$13,728,450	$1,996,959	$13,266,306	$28,991,714	$17,606,569	$2,263,984	$15,540,642	$35,411,194	$19,681,598	$2,264,229	$16,953,723	$38,899,550	100.0%
Access and Visitation	$13,162	$0	$99,207	$112,369	$13,162	$0	$99,207	$112,369	$13,162	$0	$99,207	$112,369	1.7%
Tribal Contracts	317,571	0	1,381,127	1,698,698	317,571	0	1,381,127	1,698,698	317,571	0	1,381,127	1,698,698	26.2%
IV-E Pass Through	0	0	1,099,999	1,099,999	0	0	1,099,999	1,099,999	0	0	1,099,999	1,099,999	17.0%
Children's Trust Fund	0	41,253	0	41,253	0	41,253	0	41,253	0	41,253	0	41,253	0.6%
Chafee - Independent Living	0	0	370,768	370,768	0	0	370,768	370,768	0	0	370,768	370,768	5.7%
Community Based Challenge	0	0	191,288	191,288	0	0	191,288	191,288	0	0	191,288	191,288	2.9%
Domestic Violence	115,128	74,060	722,849	912,037	115,128	74,060	722,849	912,037	115,128	74,060	722,849	912,037	14.1%
In-home & Reunification	976,781	0	1,083,726	2,060,507	976,781	0	1,083,726	2,060,507	976,781	0	1,083,726	2,060,507	31.8%
Total Grants	$1,422,642	$115,313	$4,948,964	$6,486,919	$1,422,642	$115,313	$4,948,964	$6,486,919	$1,422,642	$115,313	$4,948,964	$6,486,919	100.0%

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table
Child & Family Services

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$25,173,114	45.5%	$32,655,520	50.4%	#########	50.9%
01100 General Fund	25,173,114	45.5%	32,655,520	50.4%	34,935,477	50.9%
02000 Total State Special Funds	2,126,337	3.8%	2,393,118	3.7%	2,393,119	3.5%
02089 Child Abuse & Neglect Program	41,253	0.1%	41,253	0.1%	41,253	0.1%
02209 Third Party Contributions-F.C.	2,000,000	3.6%	2,266,787	3.5%	2,266,787	3.3%
02376 02 Indirect Activity Prog 03	1,668	0.0%	1,662	0.0%	1,663	0.0%
02473 Assault Intervention & Trtmnt	74,714	0.1%	74,714	0.1%	74,714	0.1%
02496 Family Preservation Conference	8,702	0.0%	8,702	0.0%	8,702	0.0%
03000 Total Federal Special Funds	27,969,213	50.6%	29,693,904	45.9%	31,250,952	45.6%
03109 Tanf Benefits	2,344,001	4.2%	2,344,001	3.6%	2,344,001	3.4%
03224 Access & Visitation Grt 93.597	70,745	0.1%	70,745	0.1%	70,745	0.1%
03458 6901 - Chafee - Etv 93.599	155,813	0.3%	155,813	0.2%	155,813	0.2%
03522 93.556 - Family Preservation	1,246,462	2.3%	1,276,759	2.0%	1,276,841	1.9%
03526 93.643 - Child Justice	103,937	0.2%	104,024	0.2%	104,029	0.2%
03530 6901-Foster Care 93.658	8,361,495	15.1%	9,379,726	14.5%	10,094,087	14.7%
03531 6901-Subsidized Adopt 93.659	5,375,537	9.7%	6,655,333	10.3%	7,355,701	10.7%
03532 93.669 - Child Abuse	112,396	0.2%	112,412	0.2%	112,413	0.2%
03533 93.671 - Domestic Violence	729,231	1.3%	729,231	1.1%	729,231	1.1%
03534 93.672 - Child Abuse Challenge	203,672	0.4%	203,778	0.3%	203,820	0.3%
03536 93.674 - Iv-E Independent Livi	482,435	0.9%	482,435	0.7%	482,435	0.7%
03593 03 Indirect Activity Prog 03	8,783,489	15.9%	8,179,647	12.6%	8,321,836	12.1%
Grand Total	55,268,664	100.0%	64,742,542	100.0%	68,579,548	100.0%

This division is funded from a variety of sources, and the funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 51 percent of the budget, with most used as matching funds to draw federal funds. Federal foster care and adoption subsidy funds comprise 29 percent, and federal funds obtained through the cost allocation process comprise 12 percent. The only major activity of the division that is supported entirely by the general fund is the centralized intake function.

State special revenue primarily comprises payment for cost of foster care from a wide variant of third party contributions such as parental payments, collections from child support enforcement for children in foster care, supplemental security income (SSI) for eligible children.

Biennial Comparison

The 2009 biennium budget for the division shown in Figure 28 reflects a general fund increase of more than $15 million. This amount does not include the $4.9 million general fund for the CAPS computer system that is included in other legislation (LC 712). Increases in the general fund are primarily due to the cost shifts related to the federal deficit reduction act, growth and changes in caseload, the state share of the increased FMAP rate, and a request to add 24.00 new FTE over the biennium. Statewide present law adjustments account for $1.5 million of the increase and is split between general fund and federal funds. The balance of the federal fund increase is related to requests discussed in the following two sections.

Figure 28
2007 Biennium Compared to 2009 Biennium
Child and Family Services Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	351.45	375.45		24.00	
Personal Services	$32,911,089	$35,905,692	26.9%	$2,994,603	9.1%
Operating	7,853,901	9,787,906	7.3%	1,934,005	24.6%
Equipment	0	174,242	0.1%	174,242	NA
Grants	13,327,510	12,973,838	9.7%	(353,672)	-2.7%
Benefits/Claims	58,129,479	74,310,744	55.7%	16,181,265	27.8%
Debt Service	173,521	169,668	0.1%	(3,853)	-2.2%
Total Costs	$112,395,500	$133,322,090	100.0%	$20,926,590	18.6%
General Fund	$51,958,876	$67,590,997	50.7%	$15,632,121	30.1%
State Special	4,010,098	4,786,237	3.6%	776,139	19.4%
Federal Funds	56,426,526	60,944,856	45.7%	4,518,330	8.0%
Total Funds	$112,395,500	$133,322,090	100.0%	$20,926,590	18.6%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					1,975,383					2,025,623
Vacancy Savings					(699,649)					(701,665)
Inflation/Deflation					117,244					123,525
Fixed Costs					10,304					16,305
Total Statewide Present Law Adjustments					$1,403,282					$1,463,788
DP 30001 - Foster Care Caseload Increase	0.00	2,070,009	0	1,019,556	3,089,565	0.00	3,612,499	0	1,779,290	5,391,789
DP 30002 - Subsidized Adoption Caseload Increase	0.00	879,753	0	1,447,635	2,327,388	0.00	1,328,111	0	2,185,409	3,513,520
DP 30004 - FMAP Changes	0.00	383,116	0	(383,116)	0	0.00	467,670	0	(467,670)	0
DP 30005 - Mental Health Case Management-SW Caseload Increase	0.00	187,500	0	62,500	250,000	0.00	187,500	0	62,500	250,000
DP 30006 - CFSD Overtime	0.00	124,021	0	82,838	206,859	0.00	124,021	0	82,838	206,859
DP 30007 - CFSD Rent Increases	0.00	118,823	0	79,215	198,038	0.00	150,338	0	100,225	250,563
DP 30016 - Replacement computers/servers and other equipment	0.00	52,273	0	34,848	87,121	0.00	52,273	0	34,848	87,121
Total Other Present Law Adjustments	**0.00**	**$3,815,495**	**$0**	**$2,343,476**	**$6,158,971**	**0.00**	**$5,922,412**	**$0**	**$3,777,440**	**$9,699,852**
Grand Total All Present Law Adjustments					$7,562,253					$11,163,640

LFD COMMENT

About 40 percent of the of the biennial statewide present law increase is due to the implementation of the pay plan approved by the 2005 Legislature while 20 percent is due to funding vacant positions at the full amount to establish the budget for the biennium. Salary upgrades and competitive market adjustment comprise 6 percent of the increase, and the balance of the overall increase is primarily driven by the standard increases in longevity, health insurance, and benefits.

Inflation / deflation and fixed cost increases for this budget are driven by costs assigned to motor pool leased vehicles and motor pool rate increases, DOA rent increases, postage and mailing, and utilities.

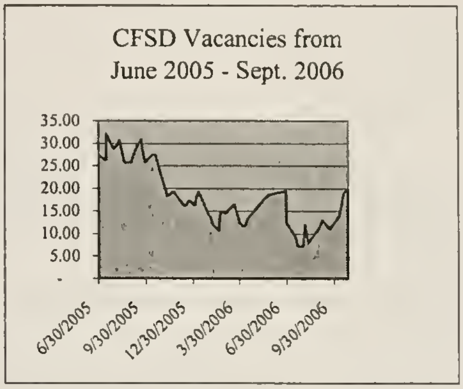
According to staff, vacancy savings is usually contributed to centralized intake because of the nature of the work in a center that operates on a 24 hour and 7 days a week basis, but recently the Program Bureau has had several people retire or take other jobs. There is a department-wide policy that positions must remain open for 30 days after the payout is complete. However, an exception has been granted for social workers and social worker supervisors due to the critical nature of the work.

Initiative from Last Session – Vacancy Savings

As mentioned in the program narrative, as a means to assist the division with workload and federal compliance issues, the 2005 Legislature provided $0.5 million for the biennium to reduce the vacancy saving rate for field staff from 4 to 2 percent.

While it was the intent of the legislature that CSFD use the funding to fill the positions quickly, the division has not been able to do so as quickly as it had hoped and discussed with the subcommittee during the past session. Although the division has no positions that are intentionally left open, there are geographic areas, such as Poplar/Wolf Point, in which a position must be advertised numerous times before it is filled. Figure 29, provided by CFSD staff, shows the vacancies from June 2005 through September 2006.

Figure 29



LFD COMMENT The division justification for the foster care and subsidized adoption caseload increases are similar and the discussion is combined. There is further discussion of both increases in the program narrative.

<u>DP 30001 - Foster Care Caseload Increase -</u> The Governor requests $8.4 million over the biennium for a projected increase in caseload for the Foster Care Program. Funding would be split $5.6 million general fund and $2.7 million federal funds over the biennium. The funding for this proposal is 67 percent general fund and 33 percent federal funds.

<u>DP 30002 - Subsidized Adoption Caseload Increase -</u> The Governor requests $5.8 million over the biennium for a projected increase in caseload for the Subsidized Adoption Program. Funding would be split $2.2 million general fund and $3.6 million federal funds over the biennium. The funding for this proposal is 37.8 percent general fund and 62.2 percent federal funds.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification:

- The foster care caseload increased about 20 percent from November, 2002 to October, 2005. 65 percent of all child welfare cases are alcohol and drug related and the number of children in care affected by 'meth' is going up. The increase in cases related to 'meth' addiction increases the amount of work involved in managing child abuse and neglect cases because these cases: 1) require a more intense level of service; 2) have more complicated and difficult reunification issues; and 3) require a longer out-of-home placement as families work through addiction problems.
- The request to increase the Subsidized Adoption Program by 11.67 percent in FY2008 and 10.82 percent in FY2009 is to account for a projected increase in the caseload. The subsidized adoption caseload will increase every year because the number of new adoptions exceeds the number of children aging out of the program.

Additional FTE for this increase in caseload are requested in NP 30010, additional field staff.

Goals, Objectives and Milestones: Eligible individuals will continue to receive appropriate care as authorized by the program's rules. The department will control growth of caseload by providing services to clients at risk of entering the foster care system, and move children that have special needs towards permanency and adoption. The program will continue to provide high quality services to clients who require intervention by the department to remain healthy and safe or who have had parental rights terminated. Staff will monitor program budgets monthly to ensure the program is operating within appropriated funding levels and utilization is consistent with expected program growth rates. The program will monitor budget activity monthly and annually to control program expenditures within appropriated funding levels over the course of the biennium.

Obstacles and Risks: The shortage of providers willing and able to perform these services is an issue. Continuation of provider rate adjustments for foster and adoptive parents can help in assuring recruitment of providers. If increases in funding are not approved it is expected that expenditures will exceed the budgeted authority as the programs are projected to grow. If resources are not available to meet the increased demand early in the client's relationship with CFSD, they will remain in care longer, which could increase the demand on limited resources.

LFD ISSUE

The requests for foster care and subsidized adoption case load increases also relate to the request for an increase in foster care provider rates in the following new proposal section. The Governor requests just over $1 million for the biennium for provider rate increases for foster parents, group homes, etc. The total amount requested for the three proposals is $15.4 million. (Foster care ($8.4 million), subsidized adoption ($5.8 million), and the rate increase ($1.2 million))

As discussed in the program narrative, it is difficult to forecast the potential intensity of client needs and possible demand for more expensive services, but the trend at this time points to more costly services.

While the percentage increase projected by the division for subsidized adoption mirrors the LFD rate of change for FY 2007 through FY 2009 (just over 8.0 percent), the LFD estimate for foster care is lower than the division estimate. The division projects an increase of 5 percent for FY 2007 for foster care and 10 percent per year for FY 2008 and FY 2009. LFD estimates for foster care based upon current and average annual rates of change, are for 4.9 percent in FY 2007, 7 percent for FY 2008, and 7.1 percent FY 2009, resulting in an estimate that is $3 million lower than the division estimates for the 2009 biennium, 67 percent of which would be general fund.

Updated caseload estimates and additional discussion of the level of services will be provided to the legislature in the course of the session.

LFD ISSUE

The division did not provide measurements with the goals that would help this and future legislatures assess the results of the appropriation. The legislature may wish to assign measurements that could include tracking:

- The number children referred and found eligible for foster care or subsidized adoption
- The number children leaving foster care and placed with adoptive families
- The number of cases where foster care placements are averted by early contact with the families
- The number of foster care or adoptive families recruited
- The role the new FTE played in early contacts that resulted in family reunification
- Development of milestones, include a hiring timeline for the FTE

DP 30004 - FMAP Changes - The Child and Family Services Division is requesting $0.85 million in general fund with a reduction of the same amount in federal funds for the 2009 biennium to address changes in the FMAP rate for both the Foster Care and Subsidized Adoption Programs. The FMAP rate for CFSD will decrease from 70.76 percent in FY 2006 to 68.62 percent in FY 2008 and 68.40 percent in FY 2009. The FMAP rate change results in an increase in general fund of $383,116 in FY 2008 and $467,670 in FY 2009. If the Montana economy continues to grow, the general fund due to FMAP could increase accordingly.

LFD COMMENT

There is addition discussion of FMAP in the agency summary.

DP 30005 - Mental Health Case Management-SW Caseload Increase - - Child and Family Services Division requests $375,000 general fund and $125,000 federal funds for mental health case management in the 2009 biennium as a contingency request because the department has not received official clarification on what case management services are acceptable under the federal DRA. At the present time, children in foster care have case management services available from other sources such as those provided by Health Resources Division, and the contingency is proposed in the event case management will no longer be available to children in foster care.

If the contingency request is needed, $250,000 each year would be used for contracts with non-profit entities to provide case management. These costs are allowable administrative costs under the IV-E program and would be funded at 75 percent general fund and 25 percent federal funds based upon blending administration and service costs associated with IV-E eligible children and those costs associated with non-IV-E children that must be paid with general fund.

LFD ISSUE

There may be final clarification on the DRA ruling prior to the session and legislative discussion of this request, but it may not be available until after the session adjourns.

If clarification is not received prior to July 1, 2007, the amount of general fund needed to replace federal funding and continue the services as stated in the request could be overstated, or not needed at all. Should the legislature approve the request as it is presented, general fund would be increased in the base year whether it is needed or not. Therefore, the legislature may wish to designate the appropriation as restricted and one time only to allow the next legislature to assess its need.

DP 30006 - CFSD Overtime - The Child and Family Services Division is requesting $248,042 in general fund and $165,676 in federal funds for the 2009 biennium for overtime compensation. Overtime is not included in the "snapshot" for personal services, and is an on-going routine cost that the division requests each year. The division estimates pro-rated expenditures for elected overtime and non-elected overtime by reporting level as $48,087 in centralized intake, $3,154 for central office, and $155,618 for regional offices for a biennial total of $206,859.

LFD COMMENT

The division requests $207,000 each year of the 2009 biennium for payment of overtime and Fair Labor Standard Act (FLSA) compensated time that is paid after an FTE has accumulated 120 hours of compensated time. Overtime is incurred because social workers must respond to emergencies and centralized intake must operate around the clock. CFSD statutorily cannot have a waiting list; reports must be investigated and children in unsafe situations must be placed in out-of-home care.

While the overtime costs are primarily due to the increases in caseload, the division has requested new funding for 15.00 FTE in FY 2006 and 20.00 FTE in FY 2007 to help balance workload to the number of cases and ultimately reduce overtime hours. However, 11.00 FTE were transferred to CFSD in FY 2006 and two modified positions were added, and the overtime costs for FY 2006, as shown in Figure 30, are significantly greater than in FY 2005.

Figure 30

CFSD Overtime History

Acutal costs	Overtime	Percent Change	FSLA Comp Time Payout	Percent Change
FY 2002	$57,520		$61,534	
FY 2003	62,473	8.6%	61,955	0.7%
FY 2004	66,236	6.0%	59,562	-3.9%
FY 2005	56,793	-14.3%	49,868	-16.3%
FY 2006	96,761	70.4%	102,448	105.4%
Request				
FY 2007	$103,430	6.9%	$103,430	1.0%
FY 2008	103,430	0.0%	103,430	0.0%
5 year Average				
2002 - 2006	$67,957		$67,073	
7 year Average	78,092	14.9%	77,461	15.5%

LFD ISSUE

The largest amount of the overtime growth occurs in the regional offices and is related to social workers. In FY 2004 the regional offices spent $51,400 in overtime and $57,900 in FSLA compensated time payouts. In FY 2006 regional offices spent $55,875 in overtime and $99,109 in FSLA compensated time payouts. If the requested FTE are hired, retained, and managed the division may not need as much overtime funding.

The legislature may wish to restrict the appropriation and recommend measurements be articulated to track the division's success in maintaining or reducing overtime and reflect the relationship to the new FTE in reducing overtime hours.

DP 30007 - CFSD Rent Increases - The executive requests a rent increase of $269,000 general fund and $179,000 federal funds for the 2009 biennium to provide additional funding for rent for 39 local offices. The increase in general fund for this biennium is $173,000 greater that the 2007 biennium request, reflecting the elimination of federal targeted case management revenue. Many of the division's lease agreements expire during the biennium and the Department of Administration will negotiate new leases. The division has seen the square footage rates for many lease agreements increase by 10 percent or more. For those lease agreements that will expire prior to June 30, 2009, the division is estimating an increase of 6 to 10 percent in most cases. The division is also seeking to increase the space in the Kalispell and Great Falls offices.

DP 30016 - Replacement computers/servers and other equipment - The executive requests $174,000 over the biennium, of which $104,000 is general fund, to replace 320 desktop computers, two copy machines, and three file servers in local offices throughout the state.

The division is funding this request with 60 percent general fund and 40 percent federal funds, which is the projected funding ratio after the impacts of the federal DRA has been taken into account.

LFD COMMENT

Funds are requested for expenditures beyond routine computer replacement and maintenance. The legislature may wish to consider one-time-only funding.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30003 - Federal Law Change - TCM										
03	0.00	1,800,000	0	(1,800,000)	0	0.00	1,800,000	0	(1,800,000)	0
DP 30008 - Federal Law change regarding kin care providers										
03	0.00	86,000	0	(86,000)	0	0.00	86,000	0	(86,000)	0
DP 30010 - Additional Field Staff										
03	15.00	447,161	0	298,107	745,268	20.00	588,433	0	392,288	980,721
DP 30014 - Expansion of SSI Program										
03	2.00	(202,260)	266,787	23,589	88,116	2.00	(202,194)	266,787	23,613	88,206
DP 30015 - Convert Modified In-home FTE to permanent										
03	2.00	(27,601)	0	30,286	2,685	2.00	(27,601)	0	30,362	2,761
DP 30501 - Provider Rate Increases										
03	0.00	385,623	0	189,933	575,556	0.00	385,623	0	189,933	575,556
DP 30903 - Therapeutic group Homes/Family Foster Care										
03	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
Total	19.00	$2,988,923	$266,787	($1,344,085)	$1,911,625	24.00	$3,130,261	$266,787	($1,249,804)	$2,147,244

DP 30003 - Federal Law Change - TCM - The executive requests $3.6 million of general fund over the biennium to replace federal funds of the same amount that are eliminated by the federal DRA through termination of certain TCM programs when other programs may have some financial responsibility. This change in the law became effective January 1, 2006. The department has not received clear directions from the federal Medicaid agency, but believes the TCM program utilized in the CFSD is likely to be one of the programs slated for termination. The services fulfilled federal and state mandates and would be continued with general fund, if appropriated. CFSD would continue to bill for TCM services until further clarification is received.

LFD COMMENT

As stated earlier, there may be final clarification on the DRA ruling prior to the session and the legislature could have the latest information prior to discussion of this request. However, as of this writing there is a possibility that states could be assigned a retroactive payback of the amounts they have billed since January 1, 2006.

As of this writing the division continues to bill for TCM services. The quarterly amounts billed for FY 2006 that would go the payback were $403,942 and $445,762. The first quarter of FY 2007 was billed at $436,926. As of this writing the total payback would be $1,286,630.

A projection of these payback amounts were included in the earliest submission of the department's FY 2006 supplemental request to the Legislative Finance Committee, but were removed when the department was sure a ruling would not come in time to impact FY 2006. The division could receive final guidance at any time. According to division staff, CFSD has no plan at this time to cover a retroactive payment. As of this writing, the amount is not included in the supplemental appropriation bill, HB 3.

The full amount of the $1.8 million requested for FY 2008 may not be needed to replace federal funding if a ruling is not received prior to July 1, 2007. If funds are not needed, the department could transfer them to other uses. The legislature may wish to restrict these funds.

DP 30008 - Federal Law change regarding kin care providers - The Governor requests $172,000 over the biennium in general fund to replace lost federal reimbursements for kinship care due to the federal DRA, which narrows the licensing requirement of relative caregivers retroactive to October 1, 2005. This move impacts administrative funding attached to children in unlicensed foster care homes that the division was previously allowed to claim. The division is awaiting clarification from the Administration on Children and Families with regard to how this provision should be implemented, but does not expect an impact on the services currently provided to children in the foster care system.

LFD COMMENT

As with the TCM request, the requested amount for FY 2008 may not be needed to replace federal funding if a ruling is not received prior to July 1, 2007. The legislature may wish to restrict these funds.

DP 30010 - Additional Field Staff - The executive requests $1.7 million for 15.00 new FTE in FY 2006 and 20.00 new FTE in FY 2007 in response to increasing case loads. General fund comprises $1.0 million of the amount and federal funds about $0.7 million. The FTE requested is funded at 60 percent general fund and 40 percent federal funds based on the blended federal funding rate in the state cost allocation plan and projected federal indirect reimbursement after targeted case management services can no longer be billed to Medicaid.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: CFSD workload analysis early data estimates show that the division would need an increase of 112.50 FTE to meet federal and state guidelines. Caseloads for foster care have increased 21 percent from November 2002 to

October 2005 and have become more complicated to manage due to the increase in children entering care with methamphetamine complications. Methamphetamine is currently a factor in 38 percent of out of home care cases and in 40 to 50 percent of all new cases, which indicates a continued increase. Children placed in foster care because of drugs have characteristics associated with longer stays and greater services needs. Consequentially, they don't leave a social worker's list to make room for newcomers.

Goals, Performance Criteria and Milestones: The goal of increasing field staff is to address critical caseload issues and meet federal and state regulations. Staff will monitor program budgets monthly to ensure the program is operating within funding appropriated levels and that utilization is consistent with expected program growth rates. Eligible individuals will continue to receive appropriate care as authorized by the program's rules.

Obstacles and Risks: Shortages of staff who are trained and willing to perform this difficult work may be an issue. Continuation of the title IV-E stipend program for training social workers in secondary education could help. If increases in funding are not approved, CFSD may not meet federal and state mandates for keeping children safe, resulting in possible federal funding reductions or sanctions.

LFD ISSUE

The goals, criteria, and milestones listed do not provide measurements that allow the next legislature to assess the success of the appropriation. Additionally, this is a request that falls into a management and infrastructure discussion as discussed in the present law section regarding overtime.

Should the legislature opt to approve this request, it may wish to assign measurements that underscore the role the new FTE play in early contacts that resulted in family reunification as well as data tracking:

- The number children referred and found eligible for foster care or subsidized adoption
- The number children leaving foster care and placed with adoptive families
- The number of cases where foster care placements are averted by early contact with the families
- The number of foster care or adoptive families recruited
- Development of milestones, include a hiring timeline for the FTE

The legislature may also wish to:

- Request a report be included in the next biennium request that tracks the division's success in hiring, nurturing, and retaining the FTE and reflects the relationship to the FTE in reducing overtime hours
- Approve or disapprove the request as submitted

<u>DP 30014 - Expansion of SSI Program -</u> CFSD requests funding of $176,000 over the biennium to make two modified positions permanent to address immediate and ongoing caseload growth and potentially generate general fund savings. The FTE would make SSI applications on behalf of children who are in the custody of the State of Montana and who are considered to meet the SSI criteria due typically to a physical or mental disability. Funding identified and generated goes into the state special revenue account and is used to offset the costs of foster care. The positions would be funded 73.23 percent general fund and 26.77 percent federal funds as defined in the state cost allocation plan.

LFD COMMENT

CFSD estimates that the two incumbent SSI specialists generated more than $200,000 of general fund savings in the foster care program in FY 2005.

There is additional discussion in the program narrative.

DP 30015 - Convert Modified In-home FTE to permanent - The Governor requests funding for CFSD to convert 2.00 modified FTE into permanent positions in the In-home Services Program to serve Hill, Blaine, Choteau, Liberty, and Cascade counties. The actual cost associated with the positions is $151,000 each year of the biennium and is funded 60 percent general fund and 40 percent federal funds based upon the state cost allocation plan blend of several funding sources as applied to the regional programs. The actual split is a total of $90,856 general fund and $60,575 federal funds reflecting salaries and benefits of about $37,500 per FTE per year. Funding is requested because modified positions are taken out of the base year budget.

This request comes with a companion reduction in foster care of $73,029 general fund each year of the biennium because the 2.00 FTE would specialize in: 1) reuniting children with their families thus averting additional foster care expenses; and 2) preventing kids from entering foster care by providing family support services that allows the family to stay intact while ensuring the children are safe.

LFD COMMENT

The division intends to control caseload growth to the extent possible by providing services at the initial contact with families to avoid a child's entry into the foster care system. The legislature may wish to assign measurable goals for factors such as:

- The number of initial contacts
- Type of safety issues faced by the family
- Numbers of children that did and did not advance into foster care

DP 30501 - Provider Rate Increases - The Governor requests an increase of 2.5 percent for provider rates for the biennium. Total funds requested are $1,151,112 with $771,246 general funds. This rate increase would be effective for foster parents, kin care providers, group homes, shelter care facilities, etc.

Figure 31
Summary of the Foster Care Rate Matrix

				2.5 Percent Increase	
	FY 2001	FY 2002 - 2005	FY 2006 - 2007	FY 2008	FY 2009
Family and Kinship Foster Care					
Children 0 - 12 years per day	$14.28	$15.03	$15.63	$16.02	$16.02
Children 13 - 18 years per day	$17.34	$18.09	$18.81	$19.28	$19.28
Specialized Foster Care					
Children 0 - 2 years per day	$26.16	$26.91	$26.91	$27.58	$27.58
Children 3 - 12 years per day	$24.79	$25.54	$25.54	$26.18	$26.18
Children 13 - 18 years per day	$27.81	$28.56	$28.56	$29.27	$29.27

Figure 31 shows a short history of two categories from the matrix reflecting a 2.5 percent increase for FY 2008 and FY 2009. Using the first line, the family of a 9 year old child would receive $468.90 for 30 days of care. With the 2.5 percent increase, the family would receive $480 for 30 days in FY 2008.

LFD ISSUE

Provider rates are calculated based upon a matrix that has not been rebased since 1988. Over the past several years the legislature has attempted to support rate increases through the provision of funding based upon $0.50 to $0.75 or providing a small percentage increase. However, an examination of actual provider costs, for both family and group homes, has not been done.

The legislature may wish to have the division provide information on the cost of a rebasing examination of the matrix, and the length of time it would take.

DP 30903 - Therapeutic group Homes/Family Foster Care - This decision package requests $1,000,000 general funds over the biennium to provide funding for anticipated changes in federal Medicaid policy.

LFD ISSUE

There may be final clarification prior to the session and legislative discussion of this request, but final clarification may not be available until after the session adjourns.

If clarification is not received prior to July 1, 2007, the amount of general fund needed to replace federal funding and continue the services as stated in the request could be overstated, or not needed at all. The legislature may wish to designate the appropriation as restricted and one-time-only.

Language

DP 30005 Mental Health Case Management - Child and Family Service Division is requesting $250,000 each year of the biennium for mental health case management services. This request is contingent upon anticipated revisions to Centers for Medicare & Medicaid Services (CMS) federal regulations, which would disallow reimbursement for certain case management services for children in foster care. DPHHS would need to provide case management services through contracts with non-profit entities. It is estimated that $375,000 general fund would be needed in the biennium.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	48.25	1.00	0.00	49.25	1.00	0.00	49.25	49.25
Personal Services	3,461,121	(296,723)	0	3,164,398	(287,011)	0	3,174,110	6,338,508
Operating Expenses	6,540,475	27,600	700,000	7,268,075	44,850	(100,000)	6,485,325	13,753,400
Benefits & Claims	0	15,000,000	0	15,000,000	15,000,000	0	15,000,000	30,000,000
Debt Service	13,066	0	0	13,066	0	0	13,066	26,132
Total Costs	**$10,014,662**	**$14,730,877**	**$700,000**	**$25,445,539**	**$14,757,839**	**($100,000)**	**$24,672,501**	**$50,118,040**
General Fund	3,095,543	(177,526)	150,000	3,068,017	(167,044)	(50,000)	2,878,499	5,946,516
State/Other Special	353,583	(40,340)	0	313,243	(38,335)	0	315,248	628,491
Federal Special	6,565,536	14,948,743	550,000	22,064,279	14,963,218	(50,000)	21,478,754	43,543,033
Total Funds	**$10,014,662**	**$14,730,877**	**$700,000**	**$25,445,539**	**$14,757,839**	**($100,000)**	**$24,672,501**	**$50,118,040**

Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are the Deputy Director who serves as the state Medicaid director, legal affairs, personnel services, public information, the prevention resource center, the AmeriCorps* VISTA Program, the Office of Budget and Finance, and the Office of Planning, Coordination, and Analysis. The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

Director's Office
Major Budget Highlights

- 2009 Biennium budget increases $33.6 million over the doubled FY 2006 base budget amount
  - HIFA waiver results in $30 million of the increase, all in federal appropriations
  - New proposal for contracted services to analyze MMIS and MHS increases overall appropriation by $.8 million with $0.2 million in general funds

Major LFD Issues

- CMS may not grant approval for all HIFA waiver populations requested
- HIFA system changes are not included in 2009 biennium costs

Program Narrative

The FY 2008 appropriations for the Director's Office are about $15 million higher than FY 2006 base budget expenditures and the FY 2009 appropriations are about $14 million above the FY 2006 base expenditures. The increases are due to an increase of $15.0 million annually in federal appropriations for the Heath Insurance Flexibility and Accountability (HIFA) waiver and a $800,000 one-time-only appropriation in FY 2008 to analyze the Medicaid Management Information System (MMIS) and the Mental Health System (MHS).

Present law changes for the Director's Office are negative for both years of the 2009 biennium due to removal of department wide termination payouts of about $850,000. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed from the base budget as a one-time expense. Removal of termination costs accounts for a reduction of about $461,000 in general fund, $81,000 in state special revenue and $308,000 in federal funds from the FY 2006 base budget as compared to the annual requests for the 2009 biennium. Funds are transferred from other divisions in DPHHS to pay termination costs. Other personal services and operating costs offset part of the reductions due to the removal of termination costs.

The 2006 base budget was increased by $5.7 million, the majority in operating costs, due to a departmental reorganization which moved the Medicaid Management Information System (MMIS) administration from the Information Technology Division to the Director's Office. The reorganization increased general fund appropriations by about $1.4 million and federal special revenue by $4.3 million annually.

2007 Program Expansion and New Initiative Update

HIFA Waiver

The 2005 Legislature approved the HIFA waiver and appropriated federal matching funds in anticipation of approval. The HIFA waiver's intent is to refinance 100 percent state funded services by including those services and persons eligible for services, including the Mental Health Services Plan and the Montana Comprehensive Health Association, in the state Medicaid program.

However, the submission of the request to the Centers for Medicare and Medicaid Services (CMS) was delayed until July 2006. As a result, there are no expenditures for the HIFA waiver benefits and claims included in the FY 2006 base budget. As of December 2006, CMS had not decided on approval of the proposal as submitted. This issue is discussed further in the present law section. The appropriations are attached to the Director's Office, but directly affect programs and expenditures in four other divisions - Health Resources, Addictive and Mental Disorders, Business and Financial Services, and Technology Services divisions.

Waiver of Deeming

The 2005 Legislature approved a request and appropriated $100,000 of state special revenue funds for DPHHS to apply for a waiver of deeming to allow DPHHS to exclude parental income and assets in determination of Medicaid eligibility of a child with a serious emotional disturbance. DPHHS has a waiver of deeming for children with development disabilities and children with physical disabilities. DPHHS did not pursue a waiver of deeming for children with a serious emotional disturbance (SED). This was included as part of the Medicaid redesign proposal included in SB 41. The waiver of deeming for children with SED was not approved by the legislature. However, the funding was included in HB 2. As the legislature did not approve the program the department did not pursue the waiver.

Tribal Programs

Tribal programs to provide technical assistance to access federal Medicaid pass-through for allowable costs, identify and resolve barriers and work on innovative programs for tribes to access federal Medicaid funds, and develop expertise on tribal organization and tribal funding with the intent of reducing Medicaid costs to the state were also approved by the 2005 Legislature. Staff identified contractual changes to current Indian Health Service (IHS) agreements which would expand the use of federal IHS funding and reduce the need for Medicaid funding. The tribes and IHS are currently assessing the changes needed for the various services to be billed to IHS agreements.

Biennial Comparison

Figure 32 shows the 2007 biennium compared to the budget request for the 2009 biennium. The 2007 biennium figures comprise FY 2006 expenditures and FY 2007 appropriations. The 2007 biennium estimates include $10,120,000 in federal special revenue appropriations for the HIFA waiver. As of December 2006, the waiver was still not approved. As a result, the benefits and claims for the 2007 biennium are overstated.

Personal services costs increase by about $200,000 between the 2007 biennium and the 2009 biennium. Personal service increases are discussed in the present law section below. Operating costs decrease by $3.9 million from the 2007 biennial total due to one-time-only costs of $4.2 million associated with system changes for departmental databases due to the HIFA waiver. Benefits and claims increase by $20 million as a result of the implementation of the HIFA waiver. Increased costs reflect the waiver being in place for the entire 2009 biennium, while in the 2007 biennium the majority of the costs were projected to be incurred in FY 2007.

Figure 32
Department of Public Health and Human Services
Director's Office
Biennial Comparison

	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	48.25	49.25		1.00	
Personal Services	$6,147,901	$6,338,508	$0	$190,607	3.1%
Operating Costs	17,647,394	13,753,400	27.44%	(3,893,994)	-22.1%
Benefits & Claims	10,620,000	30,000,000	59.86%	19,380,000	182.5%
Debt Services	25,908	26,132	0.05%	224	0.9%
Total Costs	$34,441,203	$50,118,040	100.00%	$15,676,837	45.5%
General Fund	5,928,754	5,946,516	11.87%	17,762	0.3%
State/Other Special	708,840	628,491	1.25%	(80,349)	-11.3%
Federal Special	27,803,609	43,543,033	86.88%	15,739,424	56.6%
Total Funds	$34,441,203	$50,118,040	100.00%	$15,676,837	45.5%

Total funds increase by about $15.7 million between the two biennia. General fund decreases over the period as a result of the removal of one-time termination payouts in the base budget. The reductions offset present law increases for personal services, fixed costs, and inflation. Reductions of about $80,000 in state special revenue funds are the result of reductions for one-time termination payouts. An increase of $19 million in federal funds is attributable to the HIFA waiver implementation.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table
Director's Office

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$3,095,543	30.9%	$3,068,017	12.1%	$2,878,499	11.7%
01100 General Fund	3,095,543	30.9%	3,068,017	12.1%	2,878,499	11.7%
02000 Total State Special Funds	353,583	3.5%	313,243	1.2%	315,248	1.3%
02099 69010-Vista-Community Cost Shr	103,859	1.0%	112,312	0.4%	112,340	0.5%
02377 02 Indirect Activity Prog 04	249,724	2.5%	200,931	0.8%	202,908	0.8%
03000 Total Federal Special Funds	6,565,536	65.6%	22,064,279	86.7%	21,478,754	87.1%
03072 69010-Cns-Grants-Vista	308,867	3.1%	334,004	1.3%	334,089	1.4%
03580 6901-93.778 - Med Adm 50%	14,838	0.1%	15,150	0.1%	15,161	0.1%
03583 93.778 - Med Ben Fmap	-	-	15,027,480	59.1%	15,027,554	60.9%
03594 03 Indirect Activity Prog 04	6,241,831	62.3%	6,687,645	26.3%	6,101,950	24.7%
Grand Total	$10,014,662	100.0%	$25,445,539	100.0%	$24,672,501	100.0%

The Director's Office is funded through a combination of general fund, state special revenue, and federal special revenue. The majority of the functions are cost allocated through a complex plan approved by the federal oversight agency. Federal cost allocation increases about $500,000 in FY 2008 due to the MMIS and MHS system changes. In the base budget, the largest source of funding is federal cost allocation reimbursements (62 percent of the total). In FY 2008 and FY 2009 the largest source of funding is Medicaid benefit reimbursements for the HIFA waiver (60.9 percent).

If CMS approves the waiver request, $30 million in federal appropriation authority and funding will be distributed among other departmental divisions over the biennium.

General fund supports about 11 percent of the Director's Office 2009 biennium budget. The total biennial budget is about $250,000 less than the doubled FY 2006 base budget due to reductions for one-time termination payouts.

State special revenue supporting the Director's Office is from two sources: 1) cost allocation, which is about $200,000 annually; and 2) community cost share for VISTA volunteers. The Office of Prevention Resources administers the VISTA program, which is supported by a federal grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(193,494)					(183,456)
Vacancy Savings					(130,709)					(131,109)
Inflation/Deflation					2,077					2,388
Fixed Costs					25,523					42,462
Total Statewide Present Law Adjustments					**($296,603)**					**($269,715)**
DP 40006 - Health Insurance Flexibility Accountability Waiver	1.00	0	0	15,027,480	15,027,480	1.00	0	0	15,027,554	15,027,554
Total Other Present Law Adjustments	**1.00**	**$0**	**$0**	**$15,027,480**	**$15,027,480**	**1.00**	**$0**	**$0**	**$15,027,554**	**$15,027,554**
Grand Total All Present Law Adjustments					**$14,730,877**					**$14,757,839**

LFD COMMENT

Personal Services Statewide Present Law Adjustments

The annual statewide present law adjustment of $656,000 for personal services is offset by a reduction of $849,000 relating to termination payouts. The increase results in a 19 percent increase over the FY 2006 personal services base. About $150,000 of the increase relates to annualization of the pay plan approved by the 2005 Legislature. The program experienced a vacancy rate in authorized FTE hours of 10.5 percent during the base year. Had no vacancies existed, base expenditures would have been roughly $200,000 higher. The remaining $306,000 is attributable to a combination of salary or pay grade adjustments not funded in the pay plan, transferring FTE into the Director's Office from other programs, and increased costs for employee benefits.

<u>DP 40006 - Health Insurance Flexibility Accountability Waiver - </u>- Health Insurance Flexibility Accountability Waiver - This request adds $30.1 million federal Medicaid matching funds over the biennium for the implementation and provision of services related to the Health Insurance Flexibility Accountability (HIFA) Waiver. The state match would be provided by a combination of state revenue funds including $19.3 million in health and Medicaid initiative state special revenue from tobacco taxes and $1.7 million of tobacco settlement funds. Health and Medicaid initiative revenues include $6.5 million for the Mental Health Services Plan (MHSP) and $12.8 million for Insure Montana – a small business health insurance program which provides insurance incentive payments for employers and premium assistance for employees. Tobacco settlement funds provide for Montana Comprehensive Health Association (MCHA) premium assistance benefiting Montanans who are unable to obtain health insurance due to risks factors such as cancer or HIV.

LFD COMMENT The 2005 Legislature reviewed the HIFA waiver and appropriated federal matching funds in anticipation of a July 1, 2006 implementation date. However, the waiver application was not submitted to the federal Centers for Medicare and Medicaid Services (CMS) for review until July 2006, partially due to extensive review by the executive branch.

The HIFA waiver allows states to waive requirements of the Social Security Act in areas such as comparability of services, statewideness, freedom of choice, early and periodic screening diagnostic and treatment services (EPSDT), and cost sharing. Waiving these provisions allows states to be creative in designing new health care programs to meet the needs of the uninsured population, by providing Medicaid funded healthcare coverage for low-income citizens and health insurance to citizens who otherwise would not qualify for traditional Medicaid services and yet cannot afford health insurance.

Figure 33

HIFA Eligibility, Estimated Number Served, Type of Benefit

Proposed Groups	Financial Eligibility	Service Package	Numbers Served
Mental Health Services Plan *Expansion Group*	Equal to or less than 150 % FPL	Mental health servcies, prescription drugs, physical health*, accute care (short term), Nurse First	1,500 Expanded health care benefit
Uninsured Working Parents of Children with Medicaid *Optional Group*	Equal to or less than 200 % FPL	Physical health*, Nurse First	600 New health care benefit
Uninsured former SED foster youth ages 18 to 20 *Optionol Group*	Equal to or less than 150 % FPL	Benefit package that mirrors CHIP benefit, Nurse First	1,500 New health care benefit
Uninsured Children *Optionol Group*	Equal to or less than 150 % FPL	Benefit package that mirrors CHIP benefit, enhanced mental health, transition life skill, Nurse First	300 New health care benefit
MCHA *Expansion Group*	Equal to or less than 150 % FPL	Insurance premium assistance, Nurse First	200 Current health care benefit; 60 new health care benefit served off waiting list
1) Uninsured working adults 19 to 65 who have children under age 21 2) Uninsured working youth ages 18 to 21 *Optional Group*	Equal to or less than 200 % FPL	Insurance premium assistance, insurance pool, premium incentives for employers, Nurse First	1,200 New health care benefit

* Physical Health = average of $166 per month
For insurance from employer
For private insurance
For a health care account

Source: DPHHS, October 5, 2006

Populations

Figure 33 shows the eligibility expansions, the types of benefits and assistance, and the number of persons anticipated to be served under the proposed waiver, which remains substantially the same as approved by the legislature. The actual healthcare benefit packages, eligibility groups, and the number of people served may change as a result of negotiations with CMS. The proposed uninsured groups and individual coverages are:

- Uninsured children under 150 percent of the federal poverty level (FPL)
    - Benefit package equivalent to that provided by the Children's Health Insurance Program (CHIP)
- Uninsured youth age 18-20 formerly in foster care who are seriously emotionally disturbed (SED)
    - CHIP look alike benefit with specialized life skills component
- Persons eligible for the Montana Comprehensive Health Association (MCHA) assistance program
    - Premium assistance
- The following groups receive a basic health insurance package equivalent to $2,000 per person per year:
    - Uninsured working parents whose children are currently covered under Medicaid
    - Uninsured adults with children under 21
    - Uninsured youth age 18-20
    - Uninsured Mental Health Services Plan (MHSP) population

LFD COMMENT CONT.

The final eligibility groups listed would be able to choose among three limited physical health care benefit options with an annual benefit of $2,000, including:

- Assistance with the cost of the monthly premium of employer based insurance
- Payment of the monthly premium for private individual insurance policies
- Medicaid fee-for-service benefits
-

Services Provided

MHSP clients determined eligible for waiver services would receive education and assistance in choosing the most appropriate coverage option for their needs. DPHHS estimates that up to 1,500 MHSP clients would be eligible to participate in this waiver proposal. Approximately one-third of the MHSP clients would not be able to participate in the proposed waiver program because they currently have private health insurance or they have health coverage under Medicare. Under CMS guidelines, the state cannot obtain federal matching dollars for the health care services they receive. Therefore, the state would continue to provide existing MHSP mental health services using current state funds.

Conditions

States must meet several conditions under a HIFA waiver, including cost neutrality and a maintenance of effort. Cost neutrality is measured by what the federal government would have paid for Medicaid services without the waiver compared to what it contributes for waiver services. Federal costs can be no more under the waiver than without a waiver. The HIFA waiver is cost neutral due to the inclusion of savings from another waiver administered by DPHHS that provides a smaller, basic package of Medicaid services to eligible adults with children (FAIM waiver). The HIFA proposal is more comprehensive because CMS allowed savings from the FAIM waiver to be included.

States must maintain the same level of funding for the HIFA waiver as it did for the services it covered prior to implementation of the waiver. The estimated annual maintenance of effort (MOE) for the HIFA waiver is dependent on the level of services and funding for those populations considered part of the waiver when it is approved.

LFD ISSUE

CMS communications with DPHHS have indicated a concern with the proposal to offer a CHIP look alike benefit and fund it through Medicaid. While CMS has not disallowed that aspect of the HIFA waiver, the legislature may wish to evaluate with DPHHS whether that aspect of the waiver is likely to be approved. If approval of the CHIP look alike expansion appears doubtful, the legislature may wish to provide input on other expansions that could be considered in its place. The HIFA waiver presents an opportunity to provide services to populations which would not normally be Medicaid eligible such as the MHSP population already included. Therefore, there are numerous policy choices the legislature could make within the $15 million annual appropriation amount.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The 2005 Legislature approved development and submission of a HIFA waiver.

Goal: A HIFA waiver would generate approximately $15 million per year in additional federal Medicaid revenue to provide the services outlined under the waiver and would do so without the need for additional state dollars above the amount already appropriated for MHSP, MCHA and the new small business incentives under HB 667 enacted by the 2005 Legislature. The HIFA waiver would allow services to be provided to an additional 5,000 individuals in Montana. The HIFA waiver would begin to reduce the number of uninsured Montanans most in need of access to health care services.

Performance Criteria: This program is dependent on receiving federal approval of the HIFA waiver to obtain the necessary federal cost participation.

The HIFA waiver would allow approximately an additional 5,000 low income individuals to receive health insurance or health services. The proposed numbers of uninsured or underinsured persons that would receive HIFA waiver services include:

- Up to 300 SED youth, ages 18 through 20, who have incomes equal to or less than 150 percent of FPL, in transition from children's mental health services and no longer eligible for Medicaid due to their age
- Up to 600 working parents with incomes less than or equal to 200 percent FPL who are no longer eligible for Medicaid, but whose children continue to be enrolled in Medicaid
- Up to 60 individuals currently on the MCHA premium assistance waiting list and potentially up to 260 existing MCHA participants
- Up to 1,200 individuals through the Insure Montana program provided under the small business insurance pool
- Up to 1,500 current MHSP participants

Spending under the HIFA waiver would be controlled by limiting the number of people served in the waiver and the maximum amount of money the state is obligated to spend on benefits for the eligibility groups covered under this waiver. Spending on the waiver eligibility groups would be limited and capped to a specific benefit regardless of the medical necessity of the services. If it appears there is a risk of exceeding the spending or enrollment limits, DPHHS would limit enrollment in the program and/or reduce the number of eligible clients by attrition. Limits and controls on spending would not impact the existing Medicaid program eligibility, benefits, and reimbursement rates.

Milestones: The HIFA waiver was submitted to CMS in July 2006 and DPHHS is waiting for approval. The implementation of the necessary system design and enhancements is anticipated to take place over a three-year period beginning in January 2007 with the majority taking place during FY 2008 and 2009. The targeted implementation date for the HIFA waiver is July 1, 2007. Other than the MHSP clients who are already enrolled in the program, the new programs would enroll clients over a period of time. The SED youth program would enroll 100 children per year up to the maximum of 300 enrolled at any given time.

FTE: No additional FTE is needed for this request.

Funding: Funding for this decision package is 100 percent federal Medicaid funds. These funds would be transferred to the divisions where the expenditures would be incurred as the waiver approval moves forward and specific services are provided. The state Medicaid match would be transferred from the MHSP, MCHA, and Insure Montana appropriations from the health and Medicaid initiatives state special revenue account.

Obstacles: The HIFA waiver would need to be approved by CMS. Once approved, DPHHS would need to complete the necessary computer system requirements to determine and track eligibility and make premium and benefits payments under the health savings account option within the timeframes anticipated. Other factors to consider include: measuring cost neutrality and the number of various programs that would be participating in the waiver; details of the coordination and cooperation between the DPHHS and SAO; and coordination and cooperation within various programs within DPHHS.

Risk: Without this funding, DPHHS may be unable to expand health benefits and insurance to about 5,000 low income, uninsured Montanans.

LFD COMMENT Program goals are not succinct. If CMS approves the waiver, the performance measures have not been defined. Additionally, the department requested 2.00 FTE to manage the HIFA waiver – 1.00 FTE with this request and 1.00 FTE in a statewide present law adjustment in the Health Resources Division premium assistance function to administer the expansions in programs administered by the State Auditor.

LFD ISSUE HIFA System Changes Not Included 2009 Biennium Costs

The 2005 Legislature approved $4.3 million in operating costs for reprogramming the Montana Medicaid Information System (MMIS) and the eligibility determination systems as a result of the HIFA waiver approval. Federal participation in the MMIS systems is 90 percent of the costs requiring general or state special revenue of $430,000 for match. As of December 2006, the waiver was not approved and the extensive reprogramming had not been started. As the MMIS system platform is 20 years old and difficult to work with, the number of changes and reprogramming needed may not be completed by the end of the fiscal year. The request for the HIFA waiver in the 2009 biennium does not include additional operating costs for the reprogramming of the various systems associated with the waiver.

The legislature may wish to consider requesting DPHHS provide additional information on the timeline and costs associated with reprogramming the MMIS and various eligibility systems.

New Proposals

New Proposals

	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO)										
04	0.00	200,000	0	600,000	800,000	0.00	0	0	0	0
DP 40010 - Agency Telecommunications										
04	0.00	(50,000)	0	(50,000)	(100,000)	0.00	(50,000)	0	(50,000)	(100,000)
Total	**0.00**	**$150,000**	**$0**	**$550,000**	**$700,000**	**0.00**	**($50,000)**	**$0**	**($50,000)**	**($100,000)**

<u>DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO) -</u> The executive requests a one-time-only appropriation of $800,000, $200,000 general fund, in FY 2008 to analyze the current MMIS and Mental Health System and make recommendations for improvement or rewrite of the systems.

LFD COMMENT The MMIS is a federally required program developed in 1997 to collect data related to Medicaid claims and payments and provide accurate reports on the Medicaid services provided in the state. Currently, the system does not include all Medicaid claims and payments as the Developmental Disabilities Division claims are not included. Upcoming federally required changes and enhancements in data tracking and reporting may require changes to the current system. The Mental Health System is used by the mental health centers to track eligibility for the Mental Health Services Plan.

The results of this analysis would determine if major system enhancements would bring the system up to speed with required program changes or if a new system re-write will be required. Included in the analysis would be the changes required to include the Developmental Disabilities Division claims and benefits in MMIS.

<u>DP 40010 - Agency Telecommunications -</u> This decision package requests a reduction of $200,000 over the biennium, including $100,000 general fund, for expected savings to DPHHS for cost savings generated by the use of video conferencing technologies. The savings are included in the Director's Office but would be distributed throughout the department.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	168.25	0.00	0.00	168.25	0.00	0.00	168.25	168.25
Personal Services	7,638,628	425,946	0	8,064,574	459,688	0	8,098,316	16,162,890
Operating Expenses	2,155,234	(21,870)	187,025	2,320,389	(11,609)	187,025	2,330,650	4,651,039
Equipment	5,700	0	0	5,700	0	0	5,700	11,400
Total Costs	**$9,799,562**	**$404,076**	**$187,025**	**$10,390,663**	**$448,079**	**$187,025**	**$10,434,666**	**$20,825,329**
General Fund	1,548,902	92,851	1,907,508	3,549,261	101,175	2,444,396	4,094,473	7,643,734
State/Other Special	1,770,665	56,820	(99,718)	1,727,767	63,456	(102,782)	1,731,339	3,459,106
Federal Special	6,479,995	254,405	(1,620,765)	5,113,635	283,448	(2,154,589)	4,608,854	9,722,489
Total Funds	**$9,799,562**	**$404,076**	**$187,025**	**$10,390,663**	**$448,079**	**$187,025**	**$10,434,666**	**$20,825,329**

Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance as well as those not on assistance. Services are available to any applicant regardless of income level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Division
Major Budget Highlights

- Total funding for the division increases 5 percent between the 2007 and 2009 biennia
- The Governor's budget proposes general fund increases of $5 million to address:
  - Changes due to the federal Deficit Reduction Act including:
    - A $3.7 million shift from federal revenue to general fund due to the elimination of the incentive fund match rate
    - A $.4 million increase in general fund to cover the federal share of a newly mandated $25 fee
  - An increase of about $1million in statewide and other present law adjustments

LFD Major Issues

- As the general fund becomes a continually larger portion of the Child Support Enforcement Budget, the legislature may wish to ask the division to expand its goals and objectives to include measurements relative to state budget perspectives as well as measurements for the federally audited goals and benchmarks

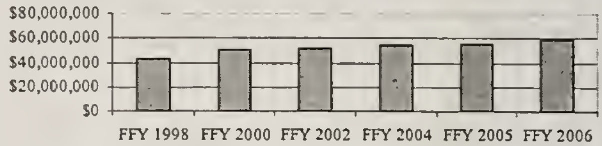
Initiative from Last Session

The 2005 Legislature provided nearly $800,000 for the biennium to support ongoing operations of CSED and ensure it would continue to meet the federal Title IV-D operating requirements, remain eligible for federal funding, and meet the requirements of the TANF block grant. The legislature also provided $1.3 million general fund over the biennium to continue services that were previously provided through the temporary prevention and stabilization fund that terminated.

The division stayed within the FY 2006 appropriation, maintained the FTE level, and reached a historical high in child support collections of $59.2 million at the end of the federal fiscal year, September 2006. There is further discussion in the present law section of this report. Figure 34 shows the growth of child support collections.

Figure 34

Child Support Collections



Program Narrative

The Child Support Enforcement Division (CSED) pursues and obtains financial and medical support from non-custodial parents. Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to:

1. Maintain state eligibility for federal Temporary Assistance for Needy Families (TANF) Block Grant[1]; and
2. Receive federal funding for the program

Services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster Care Program are automatically referred to CSED. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state governments for welfare benefits paid to the family.

The services provided by CSED tie directly to the goals and objectives of the division. CSED staff achievements toward the goals and benchmarks are shown in Figure 35. Goals are also monitored by the federal Office of Child Support Enforcement (OCSE), which ties the state performance to the performance incentive funds discussed in the program narrative.

Figure 35
Child Support Enforcement Division
Impact of Staff Enforcement Assistance

	State FY 2006	Federal Yr. Ending 9/06
Total Number of Cases	39,849	40,083
Caseload Size per Case Manager	423.9	426.4
Collected on Behalf of TANF Families - Monthly Ave.	$550,501	$412,115
Percent of TANF Collections to Total Child Support Collections	10.8%	9.5%
Collected on Behalf of non-TANF Families - Montly Ave.	$4,541,709	$3,920,999
Child Support Total Collections Year-to-Date	$43,453,481	$53,806,057
Percentage of state work to Federal Benchmarks of 80 Percent		
Child Support Cases with an order Relatiive to Total Cases	88.4%	88.0%
Child support Collected to Total Owed (YTD)	61.6%	60.7%
Paternity Resolved Compared to Total Child out of Wedlock (Federal Benchmark 90%)	98.2%	101.1%
Cases with Medical Support Order (No Federal benchmark)	87.7%	76.5%
Cases with Medical Insurance Coverage (No Federal Benchmark)	36.2%	34.9%
Cases with Arrears Support Collections (Federal Benchmark = $5.00 of collections for every dollar of expenditure.)	$4.02	$4.02

Individuals not on TANF may also apply for CSED services, and their support collections are forwarded to the custodial party. It is also possible for other states to refer cases to Montana for action when a non-custodial parent lives in Montana.

In certain circumstances, the courts may establish an order for CSED to pursue support for a child in the Foster Care Program. In these situations collections go into the child's trust accounts and are used to offset the cost of care relative to Title IV-E funding guidelines.

[1] The TANF block grant provides Montana about $44 million of federal funding annually in support of public assistance program for needy families.

Changes Impacting the General Fund

Child Support Enforcement Programs nationwide were originally established under the concept of recovering the costs of public assistance payments made under welfare systems. Montana was no exception, and for a number of years the division's activities were funded with state special revenue from collections of child support and from federal incentive funds received for meeting or exceeding the federal incentive performance measures.

However, as shown in Figure 36, general fund support increased significantly in the 2007 biennium, and the executive proposes a further general fund increase in the 2009 biennium due primarily to two factors:

- A reduction in state special revenues from child support collections concurrent with the statewide TANF caseload; and
- The recent federal Deficit Reduction Act (DRA) through the disallowance of the use of federal incentive payments to match other federal funds and a mandatory $25 fee for services from clients not eligible for TANF

Figure 36
Child Support Enforcement
Summary of Historical Expenditures/Funding

Source	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Appropriated Fiscal 2006	Appropriated Fiscal 2007	Requested Fiscal 2008	Requested Fiscal 2009
General Fund - 01000	$225,000	$225,000	$271,276	$276,386	$1,929,816	$656,647	$3,252,763	$3,794,911
State Special Revenue - 02000	3,250,625	2,863,929	2,056,454	2,675,072	1,977,468	2,101,858	1,827,485	1,834,121
Federal - 03000	6,881,101	6,370,998	6,050,914	5,895,458	6,663,682	6,897,392	5,094,699	4,589,918
Total - HB 2	$10,356,726	$9,459,927	$8,378,644	$8,846,916	$10,570,966	$9,655,897	$10,174,947	$10,218,950

TANF Caseload

Because this division receives revenue from collections from TANF recipients, changes in TANF caseload directly impact the division's revenues. TANF caseloads have shown a significant decrease since FY 1997. For a further discussion see the Human and Community Services Division in this volume.

The Deficit Reduction Act

The recent federal DRA is a congressional mandate that results in a $3.8 million shift from federal to state funding for CSED. There is further discussion of the DRA in the agency summary section at the beginning of this volume.

<u>Elimination of the Incentive Match</u>

The largest impact of the DRA comes from the elimination of the incentive grant match. States receive incentive grants for meeting or exceeding the federal performance measures, and have been allowed to use the incentive grant to draw federal match at 66 percent. The DRA now prohibits states from using federal incentive grant funds as a match for federal child support enforcement funding, thereby eliminating the match CSED has historically drawn. The loss of this match is estimated to have a $1.6 million impact in FY 2008 and $2.1 million in FY 2009. The Governor is proposing to replace this funding with general fund totaling $3.7 million. There is additional discussion in the new proposal section below.

<u>Mandated $25 Fee</u>

The DRA also imposed a federal regulation of a $25 fee for services from clients that are not eligible for TANF, and began collecting fees as of October 1, 2006. States have two federally approved options: 1) collect the fee and pass on the 66 percent federal share; or 2) opt not to collect the fee and pay the federal agency its 66 percent share of the amount that would have been collected. In order to charge and collect this fee in Montana, a statute would have to be changed in the 2007 session to allow the state to do so. The Governor proposes $247,000 of general fund to pay the federal share of the mandated $25 fee for services from clients not eligible for TANF. There is additional discussion in the new proposal section below.

<u>Other DRA Impacts</u>

The DRA has two other provisions that have a minor impact on the division's budget: 1) a computer system change to track the $25 fee; and 2) a match adjustment on paternity testing

Computer System Changes - States do not have an option of whether or not they adjust their computer systems to handle

Computer System Changes - States do not have an option of whether or not they adjust their computer systems to handle the changes required to charge the fee. Whether the state opts to charge fees or pay them with general fund, records must be documented and are subject to audit. States must adjust their systems accordingly. Montana staff estimates the state's share, based upon the 66 / 34 percent federal to state split of costs, at $27,700 in FY 2007 and $14,000 in FY 2008. The division intends to absorb this amount in its budget.

Federal Match Adjustment on Paternity Testing - The DRA also adjusted the 90 percent federal match for child support paternity testing services down to a federal match of 66 percent, the match rate for other program operating costs. The estimated impact on the general fund is about $19,000 per year. The division intends to absorb the estimated $19,000 annual increase to the general fund from the federal match adjustment for paternity testing in its budget.

Summary – DRA Impacts

Figure 37 shows the estimated impact of the federal Deficit Reduction Act in the executive budget. The summary of the $25 fee reflects both the state and federal share of the $187,205 estimated total.

Figure 37
Summary of the Impact of the Deficit Reduction Act
on the General Fund

	SFY 2008	SFY 2009	2009 Biennium
Federal Incentive Match Lost	$1,620,765	$2,154,589	$3,775,354
Reduction in Paternity Testing Match Rate	19,294	19,284	38,578
State Share of the System Programming	13,872	0	13,872
Subtotal Without $25 Fee Expenditures	$1,653,931	$2,173,873	$3,827,804
$25 Fee Federal Share Without Legislation	123,437	123,437	246,874
Total Revenue for this Scenario	$1,777,368	$2,297,310	$4,074,678

Legislative Considerations

In addressing the DRA and the Governor's budget, the 2007 Legislature has two considerations:

- Address the loss of federal incentive grant matching funds - $3.7 million impact on the general fund
- Decide whether or not to charge the $25 fee

The state share of the funds attached to the incentive grant match and the fees collected link to the division's goals and objectives.

The Incentive Grant Match Elimination

The increase in general fund resulting from the elimination of the federal incentive grants match is a new, mandated $3.7 million cost shift to the general fund. There is no indication at the federal level that this cost shift could be reversed, signaling a permanent loss of this source of support. If the state general fund is to become a larger portion of the CSED budget, the legislature may wish to ask the division to expand its goals to include state-relevant objectives such as:

- Establishing goals and objectives that tie salaries and operation costs to the division budget with regard to present, short term, and long term operational needs and growth as well as examination of potential revenue increases
- Setting goals and objectives with community stakeholders to increase collections, especially those in arrears
- Developing a plan to look for grants or other partnerships with communities to support families on welfare and improve collections

There is further discussion with DP 50002 in the new proposal section.

The $25 Mandated Fee

As stated, CSED must provide services free of charge to all who request it, regardless of income. The tie of charging fees to CSED goals has been the basis of legislative discussions since 1999. CSED does not keep records of the income levels of non-TANF users of the CSED services. However, the division has indicated that they are generally lower income.

History

- The 1999 Legislature implemented a user fee based upon a sliding charge of up to $7 per warrant for non TANF participants, but this action was discontinued in the next session due to its poor reception

Present Options

The 2007 legislature has the option to either:

- Collect the fee and pass on the federal share, which would require legislation in statute to allow for the charge and collection of the fee
- Opt not to collect the fee and pay the federal agency its share of the amount that would have been collected, which is the option proposed by the Governor

The cost of programming the system in order to charge a fee for FY 2008 is shown in Figure 37, the summary of the Governor's proposals. With programming in place, the process for collecting the funds related to the fee would have some impact on administrative and FTE costs, but the amount is unknown as of this writing. The fee is deducted from the funds collected, so administrative costs should not be extensive.

Figure 38

Projected Impact of the $25.00 Fee

	SFY 2007	SFY 2008	SFY 2009
Revenue from Fee:			
Federal Share at 66 percent	$92,577	$123,437	$123,437
State Share at 34 percent	47,691	63,589	63,589
Total Revenue*	$140,269	$187,025	$187,025

Figure 38 shows the potential revenue that may be generated from the fees. Revenue is estimated annually at $25 and cases are estimated at 7,481 for a total of $187,025 per year based upon the "flagged" TANF entries already in the system. Revenue estimates also assume all fees owed are collected.

Funding

The following table shows program funding by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table

Child Support Enforcement

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$1,548,902	15.8%	$3,549,261	34.2%	$4,094,473	39.2%
01100 General Fund	1,548,902	15.8%	3,549,261	34.2%	4,094,473	39.2%
02000 Total State Special Funds	1,770,665	18.1%	1,727,767	16.6%	1,731,339	16.6%
02187 Child Support State Share	1,770,665	18.1%	1,727,767	16.6%	1,731,339	16.6%
03000 Total Federal Special Funds	6,479,995	66.1%	5,113,635	49.2%	4,608,854	44.2%
03570 93.563 - Child Support Ivd 66%	6,408,754	65.4%	5,113,635	49.2%	4,608,854	44.2%
03605 93.563 - Child Support Ivd 90/	71,241	0.7%	-	-	-	-
Grand Total	$9,799,562	100.0%	$10,390,663	100.0%	$10,434,666	100.0%

As mentioned in the narrative, for a number of years the division's activities were funded with state special revenue from collections of child support and federal funds. With the decline of state special revenues, general fund has been used to supplement the program. In the funding chart above, the general fund increase from 16 percent in FY 2006 to nearly 40 percent in FY 2009 and the reduction in federal funds from 66 percent in FY 2006 to 44 percent in FY 2009 are primarily due to the federal DRA and other proposals that are discussed in the following sections.

State special revenue comes primarily from federal incentive funds received for meeting or exceeding the federal incentive performance measures and the retention of collections made on behalf of present and/or past TANF participants. The state retains a portion of the funds recovered on behalf of TANF cash assistance recipients at the state share of the federal FMAP rate, 32 percent state / 68 percent federal. There is no retained revenue from non-TANF collections, which simply collected and sent on. Figure 39 shows the history of TANF and non-TANF collections.

Figure 39
TANF and Non-TANF Collections
FY 2002-FY 2006

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
TANF	$7,283,629	$7,286,738	$6,677,447	$5,884,235	$5,802,895
State 32%	2,330,761	2,331,756	2,136,783	1,882,955	1,856,926
Non-TANF	$44,139,607	$45,715,336	$47,645,290	$49,224,774	$52,503,821

Source: CSED spreadsheet

Biennial Budget Comparison

Figure 40 summarizes funding for the 2009 biennium compared to the 2007 biennium. The impact of the federal DRA regulations of $3.8 million attached to the elimination of the incentive match and the $25 fee mandated in the DRA are included in the Governor's budget as of this writing. The growth in personal services is discussed in present law adjustments below.

The increase in operating costs is driven by increases in legal costs, fees charged by the federal government for use of locater systems, medical services, and rent.

Figure 40
Child Support Enforcement Division
Biennial Budget Comparison

Description	2007 Biennium	2009 Biennium	Change	Percent
FTE	168.25	168.25	-	
Personal Services	$15,569,162	$16,162,890	$593,728	3.8%
Operating Costs	4,201,349	4,651,039	449,690	10.7%
Equipment & Intangibles	30,100	11,400	(18,700)	-62.1%
Total	$19,800,611	$20,825,329	$1,024,718	5.2%
General Fund	$2,586,469	$7,643,734	$5,057,265	195.5%
State Special Rev.	3,861,762	3,459,106	(402,656)	-10.4%
Federal Funds	13,352,380	9,722,489	(3,629,891)	-27.2%
Total	$19,800,611	$20,825,329	$1,024,718	5.2%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					761,967					797,122
Vacancy Savings					(336,021)					(337,434)
Inflation/Deflation					37,192					38,063
Fixed Costs					(169,904)					(169,904)
Total Statewide Present Law Adjustments					**$293,234**					**$327,847**
DP 50004 - Child Support Enforcement Rent Increase	0.00	37,686	0	73,156	110,842	0.00	40,879	0	79,353	120,232
Total Other Present Law Adjustments	**0.00**	**$37,686**	**$0**	**$73,156**	**$110,842**	**0.00**	**$40,879**	**$0**	**$79,353**	**$120,232**
Grand Total All Present Law Adjustments					**$404,076**					**$448,079**

LFD COMMENT

The division moved 7.0 FTE from pay plan 60 to pay plan 20 (the broadband plan), which resulted in a $0.4 million increase that was partially offset by reduction in pay plan 60 salaries due to redefinition of some job duties and replacing staff at lower salaries. The $0.8 million increase over the $4.9 million present law base is primarily driven by increases in longevity, health insurance, benefits, and the implementation of the pay plan approved by the 2005 Legislature. At the submission of the division budget, there were six vacant positions, four of which have been filled. The division intends to hold one FTE open until January for vacancy savings, and is unsure when one other position will be filled. In general, CSED averages five vacant FTE at any given time, and supervisors hold these positions open for 30 days before filling them to maintain a balanced budget.

The decrease shown in fixed costs is primarily due to $169,230 of data network services costs that were relocated, along with costs for the entire agency, to the Technology Services Division.

Other Present Law Adjustments

DP 50004 - Child Support Enforcement Rent Increase – The Governor requests nearly $231,074 over the biennium to cover increases in rent for CSED office space located in Helena and regional offices in Butte, Billings, Great Falls, and Missoula. The largest portion of the request is $60,000 each year for administrative offices located in Helena. Regional office space accounts for $50,000 in FY 2008 and $58,000 in FY 2009. Rental expenditures support CSED activities and are therefore split 66 percent federal funding and 34 percent general fund.

LFD ISSUE The rent is for buildings that are not under the Department of Administration and is based upon renewal of contracts and a projected move of the Helena offices from the present location at the request of the building owner. The move of the Helena office could increase the rent from $12 per square foot to between $20 and $25, and could occur in April of 2008. At the time of this writing, the division did not know the extent of increases across its regional contracts that presently range from $12 to $19 per square foot, depending upon the building's condition and location in the state, but an increase of at least $1.50 per square foot in anticipated.

The legislature may wish to consider restricting the appropriation to prevent any excess funds from being spent for other purposes.

New Proposals

New Proposals

Program	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
DP 50001 - Child Support Enforcement General Fund										
05	0.00	99,718	(99,718)	0	0	0.00	102,782	(102,782)	0	0
DP 50002 - Child Support Deficit Reduction Act										
05	0.00	1,620,765	0	(1,620,765)	0	0.00	2,154,589	0	(2,154,589)	0
DP 50005 - CSED - Replacement of DRA Fee										
05	0.00	187,025	0	0	187,025	0.00	187,025	0	0	187,025
Total	0.00	$1,907,508	($99,718)	($1,620,765)	$187,025	0.00	$2,444,396	($102,782)	($2,154,589)	$187,025

DP 50001 - Child Support Enforcement General Fund - The Governor requests nearly $202,000 general fund authority over the biennium with a corresponding decrease in state special revenue to support on-going operations of the division. The state special revenue support for the division has decreased due to the federal calculation of the incentive funds and because income from the retention of a portion of collections related to cash assistance has declined concurrently with caseload decreases. The division must meet federal Title IV-D operating requirements to be eligible for federal funding. This is also a requirement in order for the state to be eligible for the federal TANF block grant.

This is a request to replace funding and the on-going operations are not defined. There is additional discussion in the comment below.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: State special revenues are not anticipated to be sufficient to pay all of the expected inflationary increases, and the division would not meet its goal to maintain division operations at current levels and efficiencies.

Performance Criteria and Milestones: In order to maintain federal funding, CSED must pass federal annual performance audits in mandated categories of paternity establishment, support order establishment, collection of current support, collection of arrears support and the overall cost effectiveness of the program. The division checks and enters financial data on a monthly basis in the SEARCHS system. A 'significant activities' report is generated monthly informing the division of performance during the month for each of the measured categories.

Obstacles and Risks: Obstacles could be encountered if the proposal is not passed and CSED failed a federal audit in one or more of the performance measures. Incentive funding could decline and the division might not be able to meet federally established operating requirements for TANF funding. If a child support division ceased to exist, the loss to Montana's children and families would be equivalent to annual CSED collections, and families would be on their own to deal with child support issues. TANF block grant funding is $43.5 million in FY 2005 and $39 million in FY 2006. Medicaid costs could also increase as the program has resulted in approximately $4.6 million in Medicaid cost avoidance.

LFD ISSUE

Because this and the next request have similar ties to the general fund, LFD comments are the same for both. As mentioned earlier, if the state general fund is to become a larger portion of the CSED budget, the legislature may wish to ask the division to tie the goals to state achievements as well. For example, personal services for the 2009 biennium comprise 78 percent of the total budget. While CSED lists goals and objectives that focus on achievement within the federal system they are without references to tasks, staff responsible for the tasks, and a timeline to the budget for state management. It is therefore difficult to address the use of general fund to maintain operations at current levels and efficiencies as the proposals request. The legislature may wish to articulate:

- Measurements for the proposals that would illustrate what was gained at the state level, such as the number of contacts made by FTE in each region and resulting amounts of child support and/or medical support that resulted from the contacts
- A request for information that would help future legislatures understand why more general fund might be needed to improve current levels and efficiencies in a particular region or statewide that might include the major tasks assigned to the funding request, regional staff or state administrative staff responsible for the task, relevant timelines, the indicator that the task has been successfully completed

There is additional discussion of the following requests in the program narrative at the beginning of the CSED section.

DP 50002 - Child Support Deficit Reduction Act - The Governor requests general fund of $3.8 million over the biennium to replace federal funding. The federal DRA mandates a reduction in federal funds from: 1) the elimination of the incentive funds match; and 2) the reduction of the 90 percent federal match for child support paternity testing services down to a federal match of 66 percent. General fund is requested to fill this gap and sustain the program at the current level.

DP 50005 - CSED - Replacement of DRA Fee - The governor requests $374,050 over the biennium to meet the federal DRA requirement that CSED collect an annual $25 fee from non-TANF clients and distribute 66 percent to the federal government. The federal DRA requires CSED to pay a $25 annual fee on cases where $500 has been collected from participants who have never been on TANF. One option is for the state to pay the fee itself rather than imposing it on families, which is the choice that is made in this request.

LFD COMMENT

Should the legislature decide to approve this appropriation, the funding would go permanently into the base. There is a possibility the estimate for collections could be either higher or lower than the actual amount collected, and may not be the same in each year. The legislature may wish to consider a biennial appropriation to ensure sufficient funds for FY 2008. The legislature may also wish to consider restricting the appropriation in case the appropriation exceeds the total federal share. There is a possibility that the next legislature could choose not to pay the federal portion of the collected fees with general fund. Consequentially, this legislature may wish to designate the appropriation as one-time-only funding.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	76.50	0.00	0.00	76.50	0.00	0.00	76.50	76.50
Personal Services	3,176,444	389,003	0	3,565,447	399,009	0	3,575,453	7,140,900
Operating Expenses	5,234,268	262,648	0	5,496,916	(115,165)	0	5,119,103	10,616,019
Equipment	0	0	0	0	0	0	0	0
Debt Service	67,714	0	0	67,714	0	0	67,714	135,428
Total Costs	**$8,478,426**	**$651,651**	**$0**	**$9,130,077**	**$283,844**	**$0**	**$8,762,270**	**$17,892,347**
General Fund	3,639,824	121,093	0	3,760,917	(34,964)	0	3,604,860	7,365,777
State/Other Special	865,080	50,951	0	916,031	41,230	0	906,310	1,822,341
Federal Special	3,973,522	479,607	0	4,453,129	277,578	0	4,251,100	8,704,229
Total Funds	**$8,478,426**	**$651,651**	**$0**	**$9,130,077**	**$283,844**	**$0**	**$8,762,270**	**$17,892,347**

Program Description

Business and Financial Services Division (BFSD), formerly the Fiscal Services Division, provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal reports, purchasing supplies and equipment, payroll processing, audit coordination, lease management, mail handling, management of vital records and statistics, property management, and records management. BFSD also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, Title 50, Chapter 15, and Title 53, Chapter 1, Part 4, MCA.

Program Highlights

Business and Financial Services Division Major Budget Highlights
♦ 2009 biennium budget is 3.1 percent greater than the 2007 biennium budget due exclusively to present law adjustments
Major LFD Issues
♦ The division may be missing a possibility to generate more revenue for the agency through institutional reimbursements

Formerly known as the Financial Services Division, this division was renamed the Business and Financial Services Division following a reorganization that moved the Internal Support, Budget, and Vital Records units to BFSD from the Technology Services Division (TSD), which was renamed the Operations and Technology Division. The reorganization was established at the end of FY 2005 following internal agency discussion and a decision to place only technology-related units under TSD and the other functions under BFSD where they better related to business or fiscal operations. Funding for a total of 21.5 FTE and increased operations was moved to BFSD through a budget amendment that increased the division's personal services budget by about $1.7 million and the operations budget by slightly more than $3.7 million, bringing an additional $5.4 million into the division for the biennium. A reduction equal to that amount occurred in TSD.

BFSD now comprises three bureaus: Fiscal and Operations; Fiscal Support; and the Budget, Support and Vital Records.

Program Narrative

LFD COMMENT

Along with the division's role to develop, implement, and monitor accounting and fiscal processes in accordance with state and federal fiscal regulations as well as departmental mission guidelines, the division is responsible for addressing recommendations of the agency's financial compliance audit. The audit for the two fiscal years ending June 30, 2001 was quite critical, and the 2001 Legislature included language in HB 2 regarding actions that might be taken by the department to ensure that the issues in the audit opinion were addressed. The department undertook, and for the most part achieved, a corrective action plan that improved the division's financial compliance audit for the two fiscal years ending June 20, 2003. The 2003 audit contained some recommendations for improvement while recognizing that the department made significant improvements in financial management controls, processes and procedures. The 2005 audit showed improvements over the audits of the past two biennia, with 18 audit recommendations that primarily addresses issues of timeliness with regard to state plans or federal reporting requirements. The 18 recommendations crossed three divisions with 9 in the Women, Infants and Children Program (WIC), 3 in foster care, and 2 or fewer in each of the Vocational Rehabilitation, Developmental Disabilities, Child and Adult Care Feeding Program, and Medicaid programs. BFSD staff monitors the recommendations using the corrective action matrix developed in the wake of the negative 2001 audit. As of this writing, the corrective actions for 13 of the recommendations were complete and 5 were implemented, but not yet complete.

LFD ISSUE

The division may be able to generate more revenue for the agency in FY 2008 and FY 2009.

The reorganized BFSD has developed goals and objectives for the division and each bureau that focus on professionalism, timely and efficient business and computer systems practices, and accuracy. There is also an action task list that expands the system and business management to more detailed levels. However, the corrective action plan, goals and objectives, and the action item list are without references that tie staff responsible for the tasks and a timeline to a budget. It is therefore difficult to address the success achieved by the number of FTE funded by the previous legislature to the present law services that the legislature intended to fund. It is also difficult to address FTE relative to projected present law adjustments and division needs for this session.

For example, the division's Institutional Reimbursement Bureau is responsible for maximizing revenue to the general fund from medical and mental health services provided to patients at the five institutions throughout the state. The bureau presently has 11.5 FTE and brings about $20 million annually in Medicaid and other reimbursements to the general fund. The division achieves this task through a financial investigation of the assets and liabilities of each resident in each institution in order to determine the proper charges, which are based on an individual's ability to pay. A proper investigation is time-consuming as payments come from private pay, Medicare, insurance, Medicaid, Indian Health Services and counties. The division has historically mentioned that although staff "gets the work done," there is not enough staff to more thoroughly examine the possibilities for reimbursement that could alleviate the use of some general fund. BSFD is undertaking a business process review that will include return on investment and program management efficiencies, but has no request for additional FTE this biennium, indicating that it would be the next biennium before the process begins.

Options

The legislature may wish to consider beginning this process in the 2009 biennium by having BFSD report the status of its review to the Health and Human Resources Subcommittee.

Should the division confirm that one or more additional FTE for the Institutional Reimbursement Bureau would result in increased general fund yielding a sound return on the FTE investment, the legislature may want to further consider funding FTE that might lead to an to increase the general fund in FY 2008 or FY 2009 by:

- Approving an appropriation as one-time-only funding that would give the 2011 Legislature the opportunity to examine the level of success of the program and its possible continuation during the present law adjustments discussion for that session
- Setting performance standards and measures for determining effectiveness that could be included in the LFD Budget Analysis for discussion by the 2011 Legislature

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature. The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan, often referred to as indirect activity. For the 2009 biennium indirect activity represents 100 percent of the federal funding and 55 percent of state special revenue. Federal funding comprises 49 percent of the total biennium budget, while general fund comprises 41 percent and state special revenue 10 percent. There is further discussion of state special revenue in the following biennial comparison.

Program Funding Table
Business & Financial Ser

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$3,639,824	42.9%	$3,760,917	41.2%	$3,604,860	41.1%
01100 General Fund	3,639,824	42.9%	3,760,917	41.2%	3,604,860	41.1%
02000 Total State Special Funds	865,080	10.2%	916,031	10.0%	906,310	10.3%
02382 6901-02 Indrct Activty Prog 06	454,499	5.4%	503,649	5.5%	492,256	5.6%
02419 Vital Statistics	410,581	4.8%	412,382	4.5%	414,054	4.7%
03000 Total Federal Special Funds	3,973,522	46.9%	4,453,129	48.8%	4,251,100	48.5%
03591 6901-03 Indrct Activty Prog 06	3,973,522	46.9%	4,453,129	48.8%	4,251,100	48.5%
Grand Total	$8,478,426	100.0%	$9,130,077	100.0%	$8,762,270	100.0%

Biennial Comparison

As shown in Figure 41, the 2009 biennial budget for BFSD increases about $0.5 million over the 2009 biennial budget projections due to statewide present law adjustments and funding for the pay plan adopted by the legislature.

State special revenue for the 2009 biennium is split 55 percent for cost allocation and indirect activity and 45 percent revenue for Vital Statistics revenue generated from fees charged for items such as birth or death certificates.

Figure 41
Biennial Budget Comparison

	2007 Biennium	2009 Biennium	Change	Percent
FTE	76.5	76.5	0.0	
Personal Services	$6,612,109	$7,140,900	$528,791	8.0%
Operating Costs	10,600,579	10,616,019	15,440	0.1%
Equipment	6,799	0	(6,799)	-100.0%
Debt Service	135,086	135,428	342	0.3%
Total	$17,354,573	$17,892,347	$537,774	3.1%
General Fund	$6,908,099	$7,365,777	$457,678	6.6%
State Special Rev.	1,806,034	1,822,341	16,307	0.9%
Federal Funds	8,640,440	8,704,229	63,789	0.7%
Total	$17,354,573	$17,892,347	$537,774	3.1%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					537,563					547,985
Vacancy Savings					(148,560)					(148,976)
Inflation/Deflation					45,551					47,503
Fixed Costs					217,097					(162,668)
Total Statewide Present Law Adjustments					$651,651					$283,844
Grand Total All Present Law Adjustments					$651,651					$283,844

LFD COMMENT The adjustment for personal services is driven by increases in costs associated with longevity, health insurance, and implementation of the pay plan approved by the 2005 Legislature over the division's 76.50 FTE, as well as to support moving 4 FTE to the broadband pay plan and other salary adjustments following the reorganization.

Because BFSD is the centralized business center for the agency, fixed costs annually comprise large portion of operating expenditures. Total projected fixed cost operating expenditures for this biennium are about $6.9 million, about half of which is driven by costs reflected in the following figure. The increase in warrant writing is primarily to account for the Big Sky Rx Program.

As shown in Figure 42 , the $380,000 decrease in fixed costs from FY 2008 to FY 2009 referenced in the present law table above, is primarily due to decreases in the fixed cost allocation charged for the State Accounting, Budget and Human Resource System (SABHRS), Insurance and Bonds, and Legislative Audit costs that appear only in FY 2008 because it is a biennial appropriation.

Figure 42
Fiscal Services Division
Decrease in Fixed Costs

	FY 2008 Request	FY 2009 Request	Decrease or Increase
Insurance / Bonds	$924,268	$892,256	($32,012)
Warrant Writing	321,691	328,988	7,297
Payroll Services	116,017	109,738	(6,279)
Legislative Audit	316,342	0	(316,342)
SABHRS	1,599,016	1,559,658	(39,358)
Rent	133,325	140,058	6,733
Capital Grounds Maint.	8,082	8,278	196
	$3,418,741	$3,038,976	($379,765)

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	176.01	0.00	4.00	180.01	0.00	5.00	181.01	181.01
Personal Services	7,959,560	1,408,699	241,036	9,609,295	1,441,404	303,872	9,704,836	19,314,131
Operating Expenses	13,328,288	168,296	799,944	14,296,528	198,745	537,420	14,064,453	28,360,981
Equipment	248,562	0	145,000	393,562	0	145,000	393,562	787,124
Grants	18,938,279	1,653,925	1,713,100	22,305,304	1,653,925	2,048,100	22,640,304	44,945,608
Benefits & Claims	12,090,717	(242,559)	638,000	12,486,158	(242,559)	520,000	12,368,158	24,854,316
Debt Service	0	0	0	0	0	0	0	0
Total Costs	**$52,565,406**	**$2,988,361**	**$3,537,080**	**$59,090,847**	**$3,051,515**	**$3,554,392**	**$59,171,313**	**$118,262,160**
General Fund	2,046,941	91,225	778,000	2,916,166	95,709	295,000	2,437,650	5,353,816
State/Other Special	11,123,452	252,612	2,250,000	13,626,064	269,944	2,750,000	14,143,396	27,769,460
Federal Special	39,395,013	2,644,524	509,080	42,548,617	2,685,862	509,392	42,590,267	85,138,884
Total Funds	**$52,565,406**	**$2,988,361**	**$3,537,080**	**$59,090,847**	**$3,051,515**	**$3,554,392**	**$59,171,313**	**$118,262,160**

Program Description

The purpose of the Public Health and Safety Division (PHSD) is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, emergency preparedness, and other public health services to individuals and communities. Services are provided through nearly 500 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals and other community-based organizations. Programs administered by the division include, but are not limited to:

1. Clinical and environmental laboratory services;
2. Women's, Infants and Children's Special Nutrition Program (WIC);
3. Maternal and child public health services;
4. Children's special health services;
5. Immunization Programs;
6. STD/HIV prevention;
7. Food and consumer safety;
8. Emergency medical services;
9. Family planning;
10. Chronic and communicable disease prevention; and
11. Public health emergency preparedness.

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Maternal and Child Health Title 50, Chapter 1 and Chapter 19, MCA, and Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC Public Law 95-627, Child Nutrition Act of 1966, and 7CFR part 246.

LFD COMMENT

The executive is proposing changes and amendments to Title 50, MCA, to update and modernize public health statutes.

Program Highlights

Department of Major Budget Highlights
♦ Total funds increase $13.1 million over the biennium compared to the doubled FY 2006 base budget: • $1.1 million general fund increases for new proposals for HIV treatment, state laboratory infrastructure, WIC IT updates, and antiviral drugs for pandemic flu • $5.0 million in state special revenue increases mainly for new proposals for tobacco prevention activities, new born screening follow-up, and home visits for at-risk pregnant women and infants • $14.1 million in federal categorical grants, the largest for bioterrorism federal grants adding $3.6 million in federal funds
Major LFD Issues
♦ The executive proposes to use tobacco prevention and cessation state special revenue funds for uses not included in statute. ♦ Additional costs for newborn screening tests are not included in the department budget ♦ Additional laboratory fee revenues could be used to offset general fund for equipment purchases

Program Narrative

The Public Health and Safety Division (PHSD) FY 2008 budget request is approximately $6.5 million higher than the FY 2006 base budget, and the FY 2009 budget request is about $6.6 million higher. Of these totals, $6.3 million is federal funds and $5.5 million is state special revenue funds and $1.3 million is general fund. Not quite half ($6 million) of the increases are present law base adjustments with the remaining half ($7.1 million) due to new proposals by the executive. Approximately $6.3 million of the increases add appropriation authority for anticipated increases in federal categorical grants. The most significant of these relates to pandemic flu preparation and response, $3.6 million over the biennium.

General fund increases $1.3 million over the biennium. About $185,000 are to support present law base adjustments and the remainder are for new proposals. The most significant general fund new proposals are:

- $150,000 annually for additional HIV treatment for diagnosed individuals requiring medication
- $145,000 annually to support state laboratory infrastructure
- $118,000 annually to purchase antiviral drugs in preparation for a pandemic flu
- $290,000 in FY 2008 for Women's Infant and Children database maintenance and updates

State special revenue supports about $525,000 in present law base adjustments and $5.0 million in new proposals. State special revenue support for the genetics program declines by about $485,000 over the biennium due to the insurance policy fee declining from $1.00 to $.70 per policy. Increases for new proposals include:

- $1,370,000 annually in tobacco prevention activities
- $290,000 annually for new born screening follow-up programs
- $200,000 annually for increased home visits for at-risk pregnant women and infants

Summary of Division Base Budget Compared to Executive Request by Function

Figure 43 shows the FY 2006 base budget expenditures compared to the 2009 biennium request by function of PHSD.

Figure 43
FY 2006 Base Budget Expenditures
Compared to the 2009 Biennium

Major Function Grants and Benefits	FY 2006 Base Budget Genl Fund	SSR	Federal	Total	% of Total	FY 2008 Executive Request Genl Fund	SSR	Federal	Total	% of Total	FY 2009 Executive Request Genl Fund	SSR	Federal	Total	% of Total
Major Function															
Division Administration	$185,546	$239,435	$1,112,112	$1,537,093	2.92%	277,946	261,889	1,180,533	1,720,368	2.91%	203,849	263,055	1,184,804	1,651,708	2.79%
Chronic Disease Prev/Hlth Prom	564,626	6,706,241	6,483,818	13,754,685	26.17%	597,989	8,476,567	6,961,404	16,035,960	27.14%	599,084	8,977,419	6,970,759	16,547,262	27.97%
Family & Community Health	589,760	959,517	18,061,337	19,610,614	37.31%	852,354	1,190,932	18,898,909	20,942,195	35.44%	562,651	1,191,357	18,907,762	20,661,770	34.92%
Communicable Disease Prev.	514,164	744,518	4,023,841	5,282,523	10.05%	721,755	896,128	4,110,997	5,728,880	9.70%	723,176	897,981	4,117,758	5,738,915	9.70%
Laboratories	$172,695	$2,465,337	$422,349	$3,060,381	5.82%	$326,733	$2,726,627	$494,846	$3,548,206	6.00%	$327,464	$2,739,648	$497,083	$3,564,195	6.02%
Pub Health Sys Improvement/ Emergency Preparedness	20,150	8,404	9,291,556	9,320,110	17.73%	139,389	73,921	10,901,928	11,115,238	18.81%	21,426	73,936	10,912,101	11,007,463	18.60%
Total Division Budget	$2,046,941	$11,123,452	$39,395,013	$52,565,406	100.00%	$2,916,166	$13,626,064	$42,548,617	$59,090,847	100.00%	$2,437,650	$14,143,396	$42,590,267	$59,171,313	100.00%
Percent of Total	3.89%	21.16%	74.94%	100.00%		4.94%	23.06%	72.01%	100.00%		4.12%	23.90%	71.98%	100.00%	
Grants															
Women, Infants and Children	0	0	3,675,344	3,675,344		0	0	3,675,344	3,675,344		0	0	3,675,344	3,675,344	
Emergency Systems Preparedness	0	0	5,156,574	5,156,574		0	0	6,756,574	6,756,574		0	0	6,756,574	6,756,574	
Women and Mean's Health	0	0	2,022,858	2,022,858		0	0	2,022,858	2,022,858		0	0	2,022,858	2,022,858	
Maternal/Child Health Grnt	0	0	572,852	572,852		0	0	972,852	972,852		0	0	972,852	972,852	
Tobacco Control and Prevention	0	3,486,163	0	3,486,163		0	4,254,263	0	4,254,263		0	4,254,263	0	4,254,263	
AIDS Prevention/Treatment	0	0	1,147,107	1,147,107		0	0	1,147,107	1,147,107		0	0	1,147,107	1,147,107	
Cancer Control	0	0	793,210	793,210		0	0	905,210	905,210		0	0	905,210	905,210	
Subtotal Grants	$0	$3,486,163	$13,367,945	$16,854,108		$0	$4,254,263	$15,479,945	$19,734,208		$0	$4,254,263	$15,479,945	$19,734,208	
Percent of Total Grants	0.00%	18.41%	70.59%	88.99%		0.00%	19.99%	72.75%	92.75%		0.00%	20.07%	73.01%	93.08%	
% of Total Division Budget	0.00%	6.63%	25.43%	32.06%		0.00%	7.20%	26.20%	33.40%		0.00%	7.19%	26.16%	33.35%	
Benefits															
Women, Infants and Children	$0	$0	$8,417,852	$8,417,852		$0	$0	$8,417,852	$8,417,852		$0	$0	$8,417,852	$8,417,852	
% of Total Division Budget	0.00%	0.00%	16.01%	16.01%		0.00%	0.00%	14.25%	14.25%		0.00%	0.00%	14.23%	14.23%	

Division administration is responsible for the overall management of PHSD. Its budget accounts for 3 percent of the total FY 2009 biennial budget request for the division. The majority of the division administrative budget functions are cost allocated among all division subprogram functions. The Libby asbestos screening project is managed in the division administration program and is funded using federal grant funds. The program's budget request increases $185,000 in FY 2008 and $115,000 in FY 2009. $75,000 of the increase in FY 2008 is general fund for a rural public health development project to address public health emergency preparedness in rural areas of the state. The remainder of the division administration increase is for statewide present law adjustments.

The Chronic Disease Prevention and Health Promotion Bureau budget is about 27 percent of the total 2009 biennium division budget request, increasing $2.3 million annually. The bureau administers tobacco prevention and control, diabetes control, obesity prevention, breast and cervical cancer control and screening, and tumor registry programs. The majority of the increases are for new proposals associated with tobacco prevention activities funded through increased tobacco settlement funds. The majority of the remaining increases are present law adjustments, with 80 percent of the increase funded through federal categorical grant increases.

The Family and Community Health Bureau accounts for 35 percent of the division budget request. The major programs in this bureau include women, infants, and children nutrition (WIC), women and men health, MIAMI, children's special health, newborn health screening, and genetics. This bureau also administers contracts with local governments and contractors that provide maternal and child health services funded by the maternal and child health grant. The budget increases 6.8 percent ($1.3 million) over the FY 2006 base budget amount in FY 2008 and 5 percent ($1.0 million) in FY 2009. The most significant increases result from new proposals by the executive which include:

- $400,000 federal revenue annually for a youth suicide prevention grant
- $290,000 state special revenue annually for newborn screening follow-up
- $200,000 state special revenue annually for increased MIAMI funding to assist high-risk pregnant women and infants
- $290,000 general fund in FY 2008 to program the WIC computer system until the new federal system becomes operational

Communicable Disease Control and Prevention Bureau is about 10 percent of the total division budget request. Major responsibilities in the bureau include food and consumer safety, tuberculosis control, immunization, sexually transmitted disease, and AIDS prevention. Major changes in this portion of the budget include:

- $150,000 general fund annually to reduce the waiting list for HIV drug assistance
- $60,000 state special revenue annually for increased pool inspection fees and plan reviews

Laboratory functions are 6 percent of the division budget and include both the environmental and public health laboratories and the biomonitoring function. Significant changes to the budget include:

- $145,000 general fund annually for laboratory infrastructure
- $130,000 state special revenue annually for increased laboratory testing
- $50,000 federal revenue annually for the Food Emergency Response Network

The public health system improvement and emergency preparedness function is 19 percent of the total 2009 biennium budget request. Changes over the base budget are due to statewide present law adjustments and other present law adjustments for increased federal revenue relating to pandemic flu preparedness and a reduction for loss of the environmental public health tracking grant.

Over 59 percent ($31 million) of the FY 2006 base budget expenditures supported grants and services (benefits) to individuals, which are decreasing slightly to over 58 percent in the 2009 biennium budget request. The largest component of these expenditures is for the WIC program, with a combined total of $12 million in grants and benefits in FY 2006. The WIC program provides vouchers for food for low-income children under age 5 and for nursing mothers.

Emergency preparedness grants to local governments and hospitals account for the next largest grant source with $5 million in the FY 2006 base budget. Pandemic flu preparedness increases these grants by $1.6 million annually over the next biennium.

Tobacco control and prevention are the third highest grant expenditures with $3.5 million in the FY 2006 base budget. The program grants funds to county, tribal, and urban Indian community-base programs, Addictions and Mental Disorders Division, Office of Public Instruction, and the Montana University System to address issues associated with tobacco use prevention and cessation.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table
Public Health and Safety Division

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$2,046,941	3.9%	$2,916,166	4.9%	$2,437,650	4.1%
01100 General Fund	2,046,941	3.9%	2,916,166	4.9%	2,437,650	4.1%
02000 Total State Special Funds	11,123,452	21.2%	13,626,064	23.1%	14,143,396	23.9%
02199 Dhes Food & Consumer	119	0.0%	134	0.0%	134	0.0%
02366 Public Health Laboratory	2,465,337	4.7%	2,726,627	4.6%	2,739,648	4.6%
02379 02 Indirect Activity Prog 07	239,435	0.5%	261,889	0.4%	263,055	0.4%
02462 Food/Lodging License	744,399	1.4%	895,994	1.5%	897,847	1.5%
02512 Brfs Survey Fees	8,404	0.0%	73,921	0.1%	73,936	0.1%
02544 6901-Welch'S Cost Relief Gran	4,020	0.0%	4,063	0.0%	4,064	0.0%
02765 Fees On Insurance Policies - Sb 275	828,093	1.6%	565,974	1.0%	565,984	1.0%
02772 Tobacco Hlth & Medicd Initiative	25,000	0.0%	25,685	0.0%	25,766	0.0%
02773 Childrens Special Health Services	102,404	0.2%	105,210	0.2%	105,543	0.2%
02790 6901-Statewide Tobacco Sttlmnt	6,706,241	12.8%	8,476,567	14.3%	8,477,419	14.3%
02987 Tobacco Interest	-	-	490,000	0.8%	990,000	1.7%
03000 Total Federal Special Funds	39,395,013	74.9%	42,548,617	72.0%	42,590,267	72.0%
03004 Ems Data Injury	95,092	0.2%	99,418	0.2%	99,604	0.2%
03020 Ph Workforce Development	37,462	0.1%	61,196	0.1%	61,391	0.1%
03026 Family Planning Title X	2,255,442	4.3%	2,274,477	3.8%	2,276,014	3.8%
03027 Wic (Women,Infants & Children)	13,085,180	24.9%	13,203,752	22.3%	13,206,550	22.3%
03030 Health Prevention & Services	761,522	1.4%	830,331	1.4%	831,737	1.4%
03031 Maternal & Child Health	2,051,383	3.9%	2,283,548	3.9%	2,287,406	3.9%
03057 Newborn Hearing Screening	81,321	0.2%	97,725	0.2%	97,848	0.2%
03074 Obesity Prevention	447,623	0.9%	472,606	0.8%	473,286	0.8%
03085 Yth/Yng Adult Suicide Prv 93.243	-	-	400,000	0.7%	400,000	0.7%
03146 10.577 Wic Bf Peer Counseling	20,783	0.0%	21,004	0.0%	21,008	0.0%
03150 Wic Cdc Surveillance	10,593	0.0%	10,706	0.0%	10,708	0.0%
03154 Office Of Women'S Health	2,010	0.0%	2,027	0.0%	2,028	0.0%
03159 Tuberculosis Grant	144,750	0.3%	137,641	0.2%	137,745	0.2%
03208 Abstinence Education Blk Grant	60,488	0.1%	69,884	0.1%	69,963	0.1%
03258 Diabetes Control	611,660	1.2%	645,798	1.1%	646,727	1.1%
03273 Primary Care Services	108,045	0.2%	114,687	0.2%	114,888	0.2%
03274 Ryan White Act, Title Ii	787,685	1.5%	794,645	1.3%	795,254	1.3%
03336 Food Inspection Program	58,581	0.1%	54,387	0.1%	54,507	0.1%
03357 Healthy Child	16,616	0.0%	19,197	0.0%	19,219	0.0%
03362 Data Integration	45,868	0.1%	52,993	0.1%	53,053	0.1%
03368 Trauma System Development	28,557	0.1%	30,249	0.1%	30,305	0.1%
03370 Epi & Lab Surveillance E. Coli	377,056	0.7%	464,331	0.8%	466,372	0.8%
03383 Search Grant	180,494	0.3%	191,590	0.3%	191,926	0.3%
03429 Birth Defects Surveillance	6,886	0.0%	8,275	0.0%	8,285	0.0%
03448 6901-Early Childhood Comp Sys	41,673	0.1%	48,146	0.1%	48,201	0.1%
03451 69010-Cdp For Brfs	290,764	0.6%	382,804	0.6%	384,380	0.6%
03461 6901- Childrens Oral Hlth Care	67,120	0.1%	77,546	0.1%	77,634	0.1%
03596 03 Indirect Activity Prog 07	737,863	1.4%	797,913	1.4%	801,507	1.4%
03681 6901-Mt Fd Safe Adv Cncl93.103	38,103	0.1%	90,097	0.2%	90,258	0.2%
03683 6901-Biomonitoring	104,669	0.2%	110,520	0.2%	111,389	0.2%
03686 6901-Adult Lead	9,631	0.0%	10,815	0.0%	10,840	0.0%
03689 6901-Bioter Hosp Preparedness	2,480,078	4.7%	2,577,246	4.4%	2,579,597	4.4%
03690 6901-Rape Prev & Educ 93.126	116,031	0.2%	110,333	0.2%	110,416	0.2%
03697 6901-Cardiovascular Hlth Prgm	1,013,638	1.9%	1,070,212	1.8%	1,071,752	1.8%
03698 6901-Ems Prev Fire Related Inj	119,828	0.2%	126,928	0.2%	127,163	0.2%
03708 6901-Libby Asbestos Screening	374,249	0.7%	382,620	0.6%	383,297	0.6%
03709 6901-Rural Access Emerg Device	188,063	0.4%	199,207	0.3%	199,575	0.3%
03711 6901-Breast & Cervical Cancer	2,099,930	4.0%	2,280,481	3.9%	2,284,613	3.9%
03712 6901-Cancer Registries 93.283	208,987	0.4%	221,076	0.4%	221,456	0.4%
03713 6901-Wic Farmer Market 10.572	37,926	0.1%	38,328	0.1%	38,336	0.1%
03788 Montana Disability And Health Progr	255,454	0.5%	255,454	0.4%	255,454	0.4%
03822 Tobacco Control	1,038,659	2.0%	1,049,551	1.8%	1,049,683	1.8%
03929 Seroprevalence/Surveillance	49,249	0.1%	49,684	0.1%	49,722	0.1%
03936 Vaccination Program	953,960	1.8%	943,965	1.6%	946,393	1.6%
03937 Std Program	230,679	0.4%	255,322	0.4%	256,415	0.4%
03938 Aids Fed. Cat. #13.118	1,435,596	2.7%	1,446,537	2.4%	1,447,647	2.4%
03959 Bioterrorism	5,529,240	10.5%	7,420,304	12.6%	7,425,394	12.5%
03979 Comprehensive Cancer Control	142,801	0.3%	263,061	0.4%	263,321	0.4%
Grant Total	$52,565,406	100.0%	$59,090,847	100.0%	$59,171,313	100.0%

PHSD is funded by a combination of general fund, state special revenue, and federal funds. General fund supports about four percent of the budget. State special revenue is 24 percent of 2009 budget request and federal revenue makes up 72 percent of the division's budget request.

General fund supports the MIAMI program ($700,000 annually), public health laboratory, AIDS prevention and control, food and consumer safety, tumor registry, communicable disease, and division administration functions.

State special revenue increases from 20 percent of the FY 2006 base budget to 24 percent in the 2009 biennium. Major state special revenue sources include:

- Tobacco settlement funds at $8.5 million in both years of the biennium, a total increase of $3.4 million
- Public and environmental laboratory service fees
- Fees paid to license restaurants and lodging facilities

LFD COMMENT In the 2009 biennium tobacco settlement funds allocated to prevention and cessation programs are estimated to increase $6.7 million over funding levels in the 2007 biennium. According to the statute, 32 percent of the total tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. These funds are to be deposited into a state special revenue account for this purpose. Any funds not appropriated from the state special revenue accounts are then deposited into the tobacco settlement trust fund. The executive budget appropriates $3.4 million of the additional funds to tobacco prevention activities.

There are almost 50 funding sources listed in the division funding table, including 2 federal block grants and more than 40 categorical grants that each have explicit programmatic and expenditure requirements. In most cases the purpose of the grant can be determined from its name.

The largest federal grant funds the WIC program, which accounts for $13.1 million of the FY 2006 base budget and $13.3 million and $13.3 million of the FY 2008 and FY 2009 budget requests, respectively. Federal funds supporting emergency preparedness activities are the next significant federal grant funds source, accounting for 17 percent of the budgeted federal funds and increasing $1.8 million each year for pandemic flu preparedness.

Two federal block grants account for about 5.3 percent of the PHSD 2009 biennium request for federal appropriation authority. They are the Maternal Child Health (MCH) block grant ($2.2 million annually) and the Preventative Health block grant ($0.8 million annually). These block grants support a variety of PHSD functions and are both allocated in consultation with division advisory councils. As a result, the allocation is usually some what different than anticipated in the budget request and without specific legislative restrictions, can also be different than the legislative appropriation.

Biennial Comparison

Figure 44 shows the 2007 biennium compared to the 2009 biennium budget request for PHSD. The 2009 biennium request is 6 percent higher than the 2007 biennium, with increases in personal services, operating costs, equipment and grants and decreases in benefits/claims.

Grants show the largest growth due to pandemic flu preparedness grants to local governments and increases in tobacco prevention grants to schools and local governments. Personal services also increase significantly with statewide present law adjustments, in part from a reorganization which added the Children Special Health Service Program to the Family Services Bureau.

Figure 44
2007 Biennium Compared to 2009 Biennium
Public Health and Safety Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Total
FTE	176.01	180.01		4	2%
Personal Services	$16,986,204	$19,253,011	16%	$2,266,807	13%
Operating	28,191,488	28,752,101	24%	560,613	2%
Equipment	380,911	787,124	1%	406,213	107%
Grants	39,726,879	44,115,608	37%	4,388,729	11%
Benefits/Claims	25,740,774	24,972,316	21%	(768,458)	-3%
Debt Service	37,587	0	0%	(37,587)	-100%
Total Costs	$111,063,843	$117,880,160	100%	$6,816,317	6%
General Fund	4,173,774	5,471,816	5%	1,298,042	31%
State Special	22,709,932	27,269,460	23%	4,559,528	20%
Federal Funds	84,180,137	85,138,884	72%	958,747	1%
Total Funds	$111,063,843	$117,880,160	100%	$6,816,317	6%

Federal funds support 72 percent of the 2009 biennial request, increasing $1.0 million compared to the 2007 biennium. State special revenue supports 23 percent of the 2009 biennial request and increase 20 percent due to increases in tobacco settlement funds. General fund comprises 5 percent of the budget request. However, it increases 31 percent due to new proposals by the executive.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,799,036					1,833,112
Vacancy Savings					(390,337)					(391,708)
Inflation/Deflation					14,762					16,732
Fixed Costs					91,022					118,698
Total Statewide Present Law Adjustments					**$1,514,483**					**$1,576,834**
DP 70011 - Increase Spending Authority for Laboratory	0.00	0	130,000	0	130,000	0.00	0	130,000	0	130,000
DP 70015 - Public Health Emergency Preparedness	0.00	0	0	1,800,000	1,800,000	0.00	0	0	1,800,000	1,800,000
DP 70018 - BRFSS Spending Authority Increase	0.00	0	0	40,000	40,000	0.00	0	0	40,000	40,000
DP 70021 - Montana Comprehensive Cancer Control Program MCCCP	0.00	0	0	112,000	112,000	0.00	0	0	112,000	112,000
DP 70023 - BRFSS-02 Fee Account Continued Spending Authority	0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,000
DP 70101 - Reduce Budget for Environmental Pub Hlth Tracking	0.00	0	0	(430,563)	(430,563)	0.00	0	0	(429,760)	(429,760)
DP 70104 - Reduce Base Level Funding For Genetics Program	0.00	0	(242,559)	0	(242,559)	0.00	0	(242,559)	0	(242,559)
Total Other Present Law Adjustments	**0.00**	**$0**	**($47,559)**	**$1,521,437**	**$1,473,878**	**0.00**	**$0**	**($47,559)**	**$1,522,240**	**$1,474,681**
Grand Total All Present Law Adjustments					**$2,988,361**					**$3,051,515**

New Proposals

New Proposals	Program	Fiscal 2008					Fiscal 2009				
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70002 - Ongoing Lab Equipment Replace & Maintenance OTO	07	0.00	145,000	0	0	145,000	0.00	145,000	0	0	145,000
DP 70003 - WIC IT System Maintenance (BIEN - OTO)	07	0.00	290,000	0	0	290,000	0.00	0	0	0	0
DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation)	07	0.00	0	290,000	0	290,000	0.00	0	290,000	0	290,000
DP 70007 - HIV Treatment Funding Request	07	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 70013 - Food Emergency Response Network Grant	07	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 70014 - Youth Suicide Prevention Program	07	0.00	0	0	400,000	400,000	0.00	0	0	400,000	400,000
DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation)	07	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
DP 70017 - FTE Request for MT Breast & Cervical Health Prg	07	1.00	0	0	59,080	59,080	1.00	0	0	59,392	59,392
DP 70103 - Tobacco Trust Fund Sup for Pblc Hlth Home Visits	07	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 70105 - Rural Public Health Development Project	07	0.00	75,000	0	0	75,000	0.00	0	0	0	0
DP 70106 - Tobacco Prevention Activities	07	2.00	0	1,370,000	0	1,370,000	2.00	0	1,370,000	0	1,370,000
DP 70107 - Purchase of Tamiflu - Biennial OTO	07	0.00	118,000	0	0	118,000	0.00	0	0	0	0
DP 70108 - Diabetes & Heart Disease Prevention	07	1.00	0	330,000	0	330,000	2.00	0	830,000	0	830,000
Total		4.00	$778,000	$2,250,000	$509,080	$3,537,080	5.00	$295,000	$2,750,000	$509,392	$3,554,392

Sub-Program Details

PUBLIC HEALTH & SAFETY DIVISION 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00	18.00
Personal Services	1,150,754	106,361	0	1,257,115	110,448	0	1,261,202	2,518,317
Operating Expenses	182,697	1,914	0	184,611	4,167	0	186,864	371,475
Grants	0	0	75,000	75,000	0	0	0	75,000
Benefits & Claims	203,642	0	0	203,642	0	0	203,642	407,284
Total Costs	**$1,537,093**	**$108,275**	**$75,000**	**$1,720,368**	**$114,615**	**$0**	**$1,651,708**	**$3,372,076**
General Fund	185,546	17,400	75,000	277,946	18,303	0	203,849	481,795
State/Other Special	239,435	22,454	0	261,889	23,620	0	263,055	524,944
Federal Special	1,112,112	68,421	0	1,180,533	72,692	0	1,184,804	2,365,337
Total Funds	**$1,537,093**	**$108,275**	**$75,000**	**$1,720,368**	**$114,615**	**$0**	**$1,651,708**	**$3,372,076**

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					158,739					162,9[illegible]
Vacancy Savings					(52,378)					(52,55[illegible]
Inflation/Deflation					292					3[illegible]
Fixed Costs					1,622					3,8[illegible]
Total Statewide Present Law Adjustments					**$108,275**					**$114,61[illegible]**
Grand Total All Present Law Adjustments					**$108,275**					**$114,61[illegible]**

LFD COMMENT

Present law adjustments are cost allocated among the other division functions managed by PHSD. Statewide present law adjustments for personal services show a 10 percent increase over the personal services base budget amount. About $86,000 is attributable to annualization of the pay plan approved in HB 447 by the 2005 Legislature. The remaining $72,000 is due to restoration of funding for base year vacancies and salary or pay grade adjustments not funded in the pay plan.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70105 - Rural Public Health Development Project										
01	0.00	75,000	0	0	75,000	0.00	0	0	0	0
Total	**0.00**	**$75,000**	**$0**	**$0**	**$75,000**	**0.00**	**$0**	**$0**	**$0**	**$0**

DP 70105 - Rural Public Health Development Project - This request is for a $75,000 biennial general fund appropriation to develop local solutions for creating public health infrastructure in rural and frontier counties in Montana. The proposal is to work with local jurisdictions to address public health surge capacity in a large-scale event or emergency, including cooperation among various jurisdictions, and to develop basic orientation for boards of health and health officers.

Sub-Program Details

CHRONIC DISEASE PREV & HEALTH PROMOTION 03

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	35.02	0.00	4.00	39.02	0.00	5.00	40.02	40.02
Personal Services	1,333,939	387,702	241,036	1,962,677	394,147	303,872	2,031,958	3,994,635
Operating Expenses	6,198,354	22,493	459,944	6,680,791	27,038	487,420	6,712,812	13,393,603
Grants	4,998,295	112,000	978,100	6,088,395	112,000	1,388,100	6,498,395	12,586,790
Benefits & Claims	1,224,097	0	80,000	1,304,097	0	80,000	1,304,097	2,608,194
Total Costs	**$13,754,685**	**$522,195**	**$1,759,080**	**$16,035,960**	**$533,185**	**$2,259,392**	**$16,547,262**	**$32,583,222**
General Fund	564,626	33,363	0	597,989	34,458	0	599,084	1,197,073
State/Other Special	6,706,241	70,326	1,700,000	8,476,567	71,178	2,200,000	8,977,419	17,453,986
Federal Special	6,483,818	418,506	59,080	6,961,404	427,549	59,392	6,970,759	13,932,163
Total Funds	**$13,754,685**	**$522,195**	**$1,759,080**	**$16,035,960**	**$533,185**	**$2,259,392**	**$16,547,262**	**$32,583,222**

The Chronic Disease Prevention and Health Promotion 2009 biennium request is about $5.0 million higher over the biennium than the FY 2006 base budget. State special revenue increases about $3.9 million over the period due to increases in the tobacco settlement special revenue fund used for tobacco prevention and cessation activities. Federal revenue increases almost $1 million over the biennium, for the most part due to increases in federal categorical grants. General fund increases are not significant in this program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					459,436					466,151
Vacancy Savings					(71,734)					(72,004)
Inflation/Deflation					5,802					6,647
Fixed Costs					16,691					20,391
Total Statewide Present Law Adjustments					**$410,195**					**$421,185**
DP 70021 - Montana Comprehensive Cancer Control Program MCCCP	0.00	0	0	112,000	112,000	0.00	0	0	112,000	112,000
Total Other Present Law Adjustments	**0.00**	**$0**	**$0**	**$112,000**	**$112,000**	**0.00**	**$0**	**$0**	**$112,000**	**$112,000**
Grand Total All Present Law Adjustments					**$522,195**					**$533,185**

LFD COMMENT

Present law adjustments add about $500,000 a year to the chronic disease prevention and health function. Statewide present law adjustments for personal services show an annual 34 percent increase over the personal services base budget amount. About $100,000 is attributable to annualization of the pay plan approved in HB 447 of the 2005 Legislature. The remaining $400,000 is due to restoration of funding for base year vacancies and salary or pay grade adjustments not funded in the pay plan.

Chronic disease prevention and health promotion had an overall vacancy rate in authorized FTE hours of 18.4 percent. The total amount of vacancy funding needed to restore base funding was about $360,000. The remaining statewide present law adjustments of $40,000 are for salary or pay grade adjustments not funded in the pay plan.

DP 70021 - Montana Comprehensive Cancer Control Program (MCCCP) - An increase in federal authority of $112,000 for each year of biennium is requested for MCCCP. This authority is being requested to bring the base in line with the grant award. This program is responsible for maintaining a comprehensive cancer control program.

The MCCCP currently has spending authority of $149,000 annually included in the FY 2006 base budget. The five-year Montana Comprehensive Cancer Control Plan was published in April 2006. The planning tasks were completed by July 2006. The MCCCP has been awarded implementation funds that were awarded beginning October 2006. The MCCCP received $260,000 annually through a cooperative agreement with Centers for Disease Control (CDC) for the purposes of implementing the Cancer Control Plan.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70017 - FTE Request for MT Breast & Cervical Health Prg										
03	1.00	0	0	59,080	59,080	1.00	0	0	59,392	59,392
DP 70106 - Tobacco Prevention Activities										
03	2.00	0	1,370,000	0	1,370,000	2.00	0	1,370,000	0	1,370,000
DP 70108 - Diabetes & Heart Disease Prevention										
03	1.00	0	330,000	0	330,000	2.00	0	830,000	0	830,000
Total	**4.00**	**$0**	**$1,700,000**	**$59,080**	**$1,759,080**	**5.00**	**$0**	**$2,200,000**	**$59,392**	**$2,259,392**

DP 70017 - FTE Request for MT Breast & Cervical Health Prg - This is a request for 1.00 FTE and federal spending authority to convert the current modified position of Montana Breast and Cervical Health Program (MBCHP) health educator to a permanent position. This position provides direction, technical assistance, and training for local MBCHP contractors, programs serving Montana's American Indians, and the network of MBCHP medical service providers.

DP 70106 - Tobacco Prevention Activities - This request is for 3.00 FTE and $1.1 million in state special revenue for each year of the biennium for Montana Tobacco Prevention Activities. These funds would support community-based programs, preventing spit tobacco use, reducing smoking during pregnancy, implementing comprehensive cancer control activities and improving acute care for persons with ischemic stroke in rural Montanans.

This proposal would provide:

- $300,000 for twelve of the remaining Montana counties that currently do not have tobacco prevention funding for community-based efforts
- $98,100 to fund Glacier, Big Horn and Jefferson counties with larger populations
- $60,000 for salary and benefits for 1.00 FTE to manage, train and offer technical assistance to the additional county programs
- $200,000 to develop and implement a statewide public education campaigns focusing on spit tobacco use prevention
- $280,000 to develop and implement a public education and awareness campaign focusing on the benefits of smoking cessation during pregnancy and where to go for help (e.g., provider and the Quit Line)
- $250,000 and 1.00 FTE to implement comprehensive cancer control activities in Montana

- o $181,900 to improving acute care for persons with ischemic stroke in rural Montanans

In addition, the executive proposes adding $330,000 and 1.00 FTE to develop three pilot projects focusing on the primary prevention of diabetes included in DP 70108 and funded using tobacco settlement funds.

LFD ISSUE

Unlawful Use of Tobacco Settlement Funds

Comprehensive cancer control activities, ischemic stroke care, and diabetes prevention totaling $761,900 are not allowed uses of the state special revenue fund used for this appropriation. According to the code commissioner, these activities are provided for under Article 12, Section IV of the Montana constitution as uses of tobacco settlement funds, including the interest from the trust. However, statutorily the state special revenue funds for tobacco prevention and cessation activities are restricted to funding a statewide tobacco prevention program designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. In order for the legislature to make this appropriation from this state special revenue fund the statutes would have to be amended. The legislature may wish to:

- amend statute to include these activities as uses for the state special revenue funds designated for tobacco prevention and cessation activities
- appropriate these activities from the tobacco settlement fund interest as allowed by current statute

LFD ISSUE

Tobacco Use Prevention Program Goals and Objectives

By statute, tobacco prevention and cessation activities receive 32 percent of the tobacco settlement proceeds annually. In the 2007 biennium this amount was $13.7 million. In the 2009 biennium this appropriation increases to $16.3 million. The intent of the funding is to reduce tobacco use in Montana. The program completed a number of activities including:

- Contracting with 41 counties and 4 urban Indian centers to provide tobacco use prevention services in communities
- Funding the Addictive and Mental Disorders Division evidence-based community and youth-based services and interventions
- Funding a contract for a program to work with Montana youth
- Funding an agreement with OPI to implement Tobacco Prevention and Education program in schools
- Contracting to provide tobacco prevention at Montana colleges and universities
- Developing cooperative administration and enforcement of tobacco related laws and taxes

As part of their deliberations, the 2005 Legislature provided direction to staff related to the tobacco cessation activities including requesting the program to:

- Incorporate brief tobacco cessation counseling using U.S. public health 5 a's approach in other department programs
- Incorporate quit line information in mailings to recipients of state-supported programs
- Encourage Medicaid providers to incorporate brief tobacco cessation counseling into office visits and tracking programs
- Provide training to providers and ancillary staff of 5 a's approach
- Chart stamps to document tobacco use and 5 a's approach
- Chart audits to health care providers beginning with large providers
- Eliminate Medicaid copayments for nicotine replacement therapy
- Extend the limit for Medicaid-funded nicotine replacement therapy coverage
- Allow persons to obtain nicotine replacement therapy directly from the quit line
- Explore whether quit line services provided to Medicaid-eligible people are allowable Medicaid costs for federal financial participation
- Encourage all state departments to incorporate smoking cessation policies

LFD ISSUE CONT.

While the program completed a number of the legislatively directed activities it has not yet incorporated quit line information in mailings to recipients of state-supported programs, developed chart audits for health care providers beginning with large providers, eliminated Medicaid copayments for nicotine replacement therapy, extended the limit for Medicaid-funded nicotine replacement therapy coverage, or explored whether quit line services provided to Medicaid-eligible people are allowable Medicaid costs for federal financial participation.

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. Goals define what the agency is trying to accomplish. Objectives, sometimes referred to as performance measures, are the segments of the goals which show how the agency will accomplish the goals. They should be specific, time-bound, and measurable to articulate the who, when, and how of the agency's plans for accomplishing the goals. This allows the legislature to ensure an agency is accountable for the resources it has been appropriated.

The legislature may wish to request the Montana Tobacco Use Prevention Program provide goals and specific measurable, time-bound objectives to implement those goals over the 2009 biennium.

DP 70108 - Diabetes & Heart Disease Prevention - This budget request is for 2.00 FTE and $330,000 for FY 2008 and $830,000 for FY 2009 in state special revenue for diabetes and heart disease prevention activities. These initial activities would include establishing pilot programs within local health departments, community health centers, diabetes education programs, or other appropriate health care facilities to promote increased physical activity, improved nutrition, and tobacco use cessation amount persons at high risk for developing diabetes, and the development of supportive health education materials for these pilot programs.

LFD ISSUE

Unlawful Uses of Tobacco Settlement Funds

The executive proposes using $660,000 of tobacco settlement funds to support a portion of this proposal. The use of these funds for this program is unlawful. See issue above for DP 70106.

Sub-Program Details

FAMILY & COMMUNITY HEALTH 04

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	33.25	0.00	0.00	33.25	0.00	0.00	33.25	33.25
Personal Services	1,395,371	399,031	0	1,794,402	404,684	0	1,800,055	3,594,457
Operating Expenses	1,909,144	(4,891)	290,000	2,194,253	(969)	0	1,908,175	4,102,428
Grants	6,273,515	0	600,000	6,873,515	0	600,000	6,873,515	13,747,030
Benefits & Claims	10,032,584	(242,559)	290,000	10,080,025	(242,559)	290,000	10,080,025	20,160,050
Total Costs	**$19,610,614**	**$151,581**	**$1,180,000**	**$20,942,195**	**$161,156**	**$890,000**	**$20,661,770**	**$41,603,965**
General Fund	589,760	(27,406)	290,000	852,354	(27,109)	0	562,651	1,415,005
State/Other Special	959,517	(258,585)	490,000	1,190,932	(258,160)	490,000	1,191,357	2,382,289
Federal Special	18,061,337	437,572	400,000	18,898,909	446,425	400,000	18,907,762	37,806,671
Total Funds	**$19,610,614**	**$151,581**	**$1,180,000**	**$20,942,195**	**$161,156**	**$890,000**	**$20,661,770**	**$41,603,965**

The executive budget request for family and community health services increases about $2.4 million over the FY 2009 biennium when compare to the FY 2006 base budget. Federal revenues support $1.7 million of the increase and state special revenues add about $0.5 million. General fund increases in FY 2008 for a new proposal related to WIC computer programming.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2009 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					473,796					479,68
Vacancy Savings					(74,765)					(75,002
Inflation/Deflation					1,681					1,84
Fixed Costs					(6,572)					(2,815
Total Statewide Present Law Adjustments					**$394,140**					**$403,71**
DP 70104 - Reduce Base Level Funding For Genetics Program	0.00	0	(242,559)	0	(242,559)	0.00	0	(242,559)	0	(242,559
Total Other Present Law Adjustments	**0.00**	**$0**	**($242,559)**	**$0**	**($242,559)**	**0.00**	**$0**	**($242,559)**	**$0**	**($242,559**
Grand Total All Present Law Adjustments					**$151,581**					**$161,15**

LFD COMMENT Statewide present law adjustments for personal services show an annual 40 percent increase over the personal services base budget amount. About $100,000 is attributable to annualization of the pay plan approved in HB 447 of the 2005 Legislature. The majority of the remaining $370,000 is due to restoration of funding for base year vacancies. During the FY 2006 family and community health had an overall vacancy rate in authorized FTE hours of 16.5 percent.

DP 70104 - Reduce Base Level Funding For Genetics Program - This request is to reduce the base level expenditure spending authority because the fee on insurance premiums to support the Montana Genetics Program will revert back to $0.70 effective July 1, 2007. The fee was $1.00 during the 2007 biennium and will be $0.70 under current law.

LFD ISSUE Genetic Program Contract

The Genetics Program contracts to provide comprehensive new-born follow-up services. Statute requires the program to include follow-up programs for children if newborn testing indicates a need, clinical self-supporting laboratory genetics services to all segments of the population, and counseling and testing for genetic conditions and metabolic disorders. The statute governing this program was amended by SB 275 during the 2005 legislative session. The amendment increased the fee paid on individual or group disability or health insurance policies from $0.70 to $1.00, generating about $295,000 in additional revenues for the program.

The program contracts with a provider for these services. This contract was amended in FY 2006 to increase the overall amount by $293,236 above the $500,000 original contract amount. It appears the basis of the increased contract was the increased fee on insurance premiums. Neither the FY 2006 amendment nor the original contract includes the number of children to be served under the contract. The amended contract also did not provide for any additional services as a basis for the additional payment. According to department staff, the increased funding for the program did not generate significant additional program usage. As a result, it is difficult to determine what additional benefit the state received for the additional funding.

Legislation to remove the sunset provision is proposed for consideration by the 2007 Legislature. The legislature may wish to articulate more specific performance measures, including the number of children served, as a basis for contract services relating to the Genetics Program.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70003 - WIC IT System Maintenance (BIEN - OTO)										
04	0.00	290,000	0	0	290,000	0.00	0	0	0	0
DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation)										
04	0.00	0	290,000	0	290,000	0.00	0	290,000	0	290,000
DP 70014 - Youth Suicide Prevention Program										
04	0.00	0	0	400,000	400,000	0.00	0	0	400,000	400,000
DP 70103 - Tobacco Trust Fund Sup for Pblc Hlth Home Visits										
04	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
Total	**0.00**	**$290,000**	**$490,000**	**$400,000**	**$1,180,000**	**0.00**	**$0**	**$490,000**	**$400,000**	**$890,000**

DP 70003 - WIC IT System Maintenance (BIEN - OTO) - This request is for $290,000 of general fund to sustain the current WIC IT system until a USDA state agency model (SAM) is available to DPHHS. Estimated availability of the federal system is FY 2009 at the earliest, with roll out to states by FY 2010. This computerized system is used to maintain documentation on eligibility and reporting requirements, and to issue food instruments, which serve as currency for participants to obtain supplemental foods. The WIC program provides nutrition education and supplementary food to approximately 22,000 low-income pregnant and nursing women, infants, and children up to age 5 statewide.

Justification: To sustain current system until a USDA state agency model acceptable to DPHHS is available and to make the current system more compatible with modern hardware and software. The extraction of information outside of preset definitions is cumbersome and requires the time and expertise of the programmers.

Goal: The goal of this request is for the WIC program to continue to use their existing statewide computer networked program until a new federal system can be acquired in FY 2009 or FY 2010.

Performance Criteria:

- Computer Programmer – a contract position to work on the WIC computer program to make adjustments and upgrades
- Planning contractor – to assist the WIC Program in planning and applying for a new WIC computer system.

Milestones:

- To keep the state office and the ninety-nine local clinics computer program running until a new system can be acquired.
- Complete and receive approval of the WIC Information System Planning Advance Planning Document by May 2008.

FTE: No additional FTE are requested. Existing DPHHS staff will monitor the program.

Funding: 100 percent general fund. Federal funds for database changes are not available as these resources are currently being used to develop the new federal SAM.

Obstacles:

- Current system is twelve years old and written in computer languages that are no longer used.
- Staffing – it is difficult to hire programmers who can work on the current system because of the outdated programming language.
- Currently there is not enough staff time to maintain system and revise programming.
- Current system does not collect/report required data for the program, including racial/ethnic data.
- Current system is not able to produce reports needed for the WIC Program and for other special requests that are made.

Risk:

- Loss of benefits to participants should the system fail.
- Loss of accountability for participant data and reporting to USDA.
- Loss of accountability for food benefits issued and redeemed which is approximately $1,000,000 per month. This includes the data retained in the system, submitted to the financial institution and USDA. Jeopardizing our USDA grant with the possibility of the State having to assume the responsibility for outstanding liabilities.]

LFD ISSUE

Performance Measures

The performance criteria outlined by the division does not include the types of adjustments the contractor would make to the system or which satellite clinics need changes or assistance. Nor does it include a timeline for when the contractor would be hired, the timeframe for developing new programming, the implementation date of the programming, the timeline for testing the changes, what a planning contractor would do, what work the planning contractor would complete, and when it would be completed. The costs for each component of the performance criteria are also not included nor are any benchmarks for determining if the statewide WIC computer networked program is adequately maintained until a new federal system can be acquired. The legislature may wish to specify more specific performance measures.

<u>DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation) -</u> This request is for $290,000 annually in state special revenue, derived from tobacco trust fund interest to support a comprehensive newborn screening follow-up program. The division is considering expanding the current panel of tests conducted at birth from 4 to 29. This program would provide clinical diagnostic and support services for families and primary care providers of babies identified with an abnormal condition from the expanded panel of newborn screening tests. Technological advances have made available screening for multiple metabolic conditions that had previously been difficult to identify at birth. This proposal provides funding to assure that:

1. Every Montana-born baby will receive the panel of 29 newborn screening tests currently recommended by the American Academy of Pediatrics; and
2. Every baby in Montana with positive newborn screening test results will receive a continuum of follow-up care.

Justification: The Maternal and Child Health Bureau of the federal Department of Health and Human Services recommends national adoption of a mandatory panel of 29 tests in order to ensure that all babies born in the United States have equal access to the same screenings. Implementation of these national standards in Montana would require the addition of 24 tests currently available on an optional basis and mandatory hearing screening for all babies born in Montana. This expansion will require expanding newborn services available to the families and physicians of the babies who are screened and diagnosed as positive for the conditions tested.

Goal: Assure the availability of clinical diagnostic and support services for babies identified with an abnormal condition from the expanded panel of newborn screening tests.

Performance Criteria:

- Beginning in FY 2008, expand the newborn screening mandatory panel to 28 tests and hearing screening through department rule
- Beginning in FY 2008, contract for clinic consultation and family consultation for conditions identified from expanded panel of tests

Milestones:

- By June 30, 2008, ensure that all babies born in Montana receive the full panel of mandatory tests for inborn Errors of metabolism and other conditions detected by blood sample testing
- By June 30, 2008 ensure that all babies born in Montana with conditions identified through the mandatory expanded panel of tests have access to appropriate clinical and family consultation services

FTE: No additional FTE are included in this request. Follow up program services would be contracted via RFP.
Funding: 100 percent tobacco trust fund interest funds. Allocated as follows using contracted services:

Item	Tests	Costs
Metabolic specialist (MD)	Clinic consultation	$100,000
Nutritionist 0.5 FTE @ $75,000/FTE)	Clinic and family consultation	$37,500
Nurse Coordinator (0.5 FTE at $70,000/FTE)	Clinic and family consultation	$35,000
Family Support	Clinic and family consultation	$30,000
Genetic Counseling (0.5 FTE)	Clinic and family consultation	$37,500
Resources and training		$50,000
TOTAL		$290,000

Obstacles: Limited resources are available in-state for children with metabolic conditions. Implementation may require a request for proposal at a regional level.

Risk: Failure to implement the national standard for newborn screening for inborn errors of metabolism and other recommended conditions detected by blood sample testing will result in babies born with conditions remaining undetected unless the specific optional test is ordered by the baby's physician.

LFD COMMENT PHSD currently funds genetic counseling services. According to program staff the genetic conditions identified through the additional blood tests are so rare the current genetic contractor may not have the expertise required to assist families.

LFD ISSUE

Costs for Additional Tests

The addition of 24 metabolic tests has other costs which are not included in the executive budget. The added tests result in an additional charge of $40.00 per test panel. Currently, approximately 40 percent of the births in Montana are covered through the Medicaid program. In FY 2005, there were about 11,600 births in Montana. The additional cost of providing the tests would be $185,600 per year to the Medicaid program, an increase in general fund match of $58,000 in each year of the biennium. These additional costs for the program are not included in the Human Resource Division budget request. The legislature may wish to consider the total cost of the program when deciding on an additional appropriation for the follow-up program.

DP 70014 - Youth Suicide Prevention Program - This request is for $400,000 in federal spending authority for each year of biennium to support youth suicide prevention efforts in Montana. This funding would be used specifically to lower the rate of suicide among youth and young adults in Montana, ages 10-24. This program provides resources to communities to support and promote youth suicide prevention efforts. Federal guidelines for the grant require 85 percent of funding be expended at the local level. In Montana, $342,460 of the $400,000 would be contracted to communities and institutions of higher learning, including funding for the project evaluator through MSU, a public awareness campaign, and training of medical providers.

Justification: Suicide is a major statewide public health problem in Montana. Montana has ranked in the top five states with the highest rates of suicide for the past 20 years. Suicide profoundly affects individuals, families, workplaces, neighborhoods, and societies. For each completed suicide, the lives of at least six other people are deeply impacted. The economic costs alone associated with suicide and self inflicted injuries in Montana are estimated at over $103 million dollars (Children's Safety Network 2005).

Goal: Montana seeks to prevent both fatal and non-fatal suicidal behaviors among youth and young adults 10-24 years of age. The proposed approach builds on the foundation of prior statewide youth suicide prevention efforts to develop and implement youth suicide prevention and early intervention strategies, grounded in public and private collaboration.
Performance Criteria:
Objective #1 – Improve access to and availability of appropriate prevention services for vulnerable youth in at least six and no more than 15 communities, tribes, and institutions of higher learning projects

Objective #2 – Increase access to and community linkages with mental health and substance abuse service systems serving youth and young adults

Objective #3 – Implement activities for an ongoing public information and awareness campaign to promote awareness that suicide is a public health problem and it is preventable

Objective # 4 – Establish a process that promotes effective clinical and professional practices, and oversees and supports suicide prevention activities at local and state levels

Milestones:

- Increase access to and community linkages with mental health and substance abuse service systems serving youth and young adults – Ongoing
- Formation of a statewide Task Force – Initial meeting January 2007 with quarterly meetings
- Public Information and Awareness – Ongoing
- Promotion of effective clinical and professional practices, and oversight and support of suicide prevention activities at local and state levels - Ongoing

FTE: No additional FTE is requested as existing DPHHS staff will monitor the program.

Funding: 100 percent federal funding.

Obstacles:

- Lack of statewide coordination - Currently there is a lack of a statewide, strategic effort to link assets and build a stronger network of resources to address youth and young adult suicide as a major statewide public health priority. This grant funding will assist DPHHS in moving forward with the strategic effort
- Montana demographics and geography - Montana is a large frontier state with many isolated communities.
- Suicide risk factors - Montana has a high availability of lethal means, including firearms, that increase the potential lethality of impulsive suicidal behaviors
- Lack of mental health providers and treatment facilities

Risk: The suicide rate among youth in Montana will continue to be one of the highest in the nation without coordinated prevention efforts in Montana communities. The individuals and agencies that are currently addressing suicide often do so from their own unique perspective and to meet their own special needs. There needs to be a statewide, strategic effort to link these many assets together and to build a stronger network of resources to address suicide as a major statewide public health priority. This will not happen without this funding.

LFD ISSUE

Performance Measures/Milestones

The performance measurements discussed above do not address the current rate per 100,000 of suicide deaths among youths ages 15 through 19 or what level the family and community health services is working to attain. From 1999 – 2002 the rate among 15 to 24 year olds was 17.68 per 100,000. The target rate for Montana for the federal Maternal Child Health performance measure is 10 for 2009. The performance measurements also do not include specific time periods in which to accomplish the goals. The legislature may wish to specify more specific performance measurements.

The milestones above do not include target dates for accomplishment. The legislature may wish to specify specific dates for completion of the milestones.

<u>DP 70103 - Tobacco Trust Fund Sup for Pblc Hlth Home Visits -</u> This request is for $200,000 in Tobacco Trust Fund interest funds for each year of the biennium to support public health home visits (PHHV). Family and community health will use new PHHV funding for additional public health home visiting sites and to increase funding to existing PHHV sites in order to expand home visiting services by providing intensive case management to pregnant women who are at risk for using substances while pregnant. These services are currently provided under the MIAMI program.

The 2005 Legislature designated $550,000 annually to target home visiting services for high-risk pregnant women and infants. Family and community health contracts with 14 counties and two tribal nations to provide home visiting/community based services for high-risk pregnant women and infants. The objectives of the program are to:

- Improve pregnancy outcomes in service areas
- Improve family functioning in target populations served
- Monitor and improve the home environment of pregnant women and infants in the target population, considering environmental, economic, psychosocial, and medical risks
- Decrease the incidence and impact of drug and alcohol use and abuse in the target populations

Sub-Program Details

COMMUNICABLE DISEASE CONTROL & PREV 05

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	30.68	0.00	0.00	30.68	0.00	0.00	30.68	30.68
Personal Services	1,314,696	216,343	0	1,531,039	222,246	0	1,536,942	3,067,981
Operating Expenses	1,046,634	20,014	0	1,066,648	24,146	0	1,070,780	2,137,428
Equipment	16,900	0	0	16,900	0	0	16,900	33,800
Grants	2,278,933	0	60,000	2,338,933	0	60,000	2,338,933	4,677,866
Benefits & Claims	625,360	0	150,000	775,360	0	150,000	775,360	1,550,720
Total Costs	**$5,282,523**	**$236,357**	**$210,000**	**$5,728,880**	**$246,392**	**$210,000**	**$5,738,915**	**$11,467,795**
General Fund	514,164	57,591	150,000	721,755	59,012	150,000	723,176	1,444,931
State/Other Special	744,518	91,610	60,000	896,128	93,463	60,000	897,981	1,794,109
Federal Special	4,023,841	87,156	0	4,110,997	93,917	0	4,117,758	8,228,755
Total Funds	**$5,282,523**	**$236,357**	**$210,000**	**$5,728,880**	**$246,392**	**$210,000**	**$5,738,915**	**$11,467,795**

The Communicable Disease and Prevention 2009 biennium request is about $1 million higher over the biennium than the FY 2006 base budget. Federal revenue and state special revenue both increase about $0.3 million over the period. General fund increases about $0.4 million, $0.3 million is due to an executive proposal to increase funding for HIV medications. The remainder which are due to present law adjustments.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					280,136					286,28
Vacancy Savings					(63,793)					(64,037
Inflation/Deflation					3,205					3,47
Fixed Costs					16,809					20,67
Total Statewide Present Law Adjustments					**$236,357**					**$246,39**
Grand Total All Present Law Adjustments					**$236,357**					**$246,39**

LFD COMMENT

Statewide present law adjustments for personal services show an annual 21 percent increase over the personal services base budget amount. About $100,000 is attributable to annualization of the pay plan approved in HB 447 of the 2005 Legislature. The remaining $180,000 is due to restoration of funding for base year vacancies. During the FY 2006 family and community health had an overall vacancy rate in authorized FTE hours of 16.5 percent.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70007 - HIV Treatment Funding Request										
05	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation)										
05	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
Total	**0.00**	**$150,000**	**$60,000**	**$0**	**$210,000**	**0.00**	**$150,000**	**$60,000**	**$0**	**$210,000**

DP 70007 - HIV Treatment Funding Request - An increase of $150,000 general fund is requested for each year of the biennium for HIV treatment. As of October 2006, there were 22 individuals waiting to be enrolled into the Montana AIDS Drug Assistance Program (ADAP). Additional funds would allow the department to supply some of the individuals with HIV medications using the significant ADAP discount. Currently, general fund is to cover federal funding gaps and to meet a 1:4 state/ federal match. The current average cost for HIV medication through ADAP is $8,811 per person per year. The requested amount would create 16 additional ADAP slots and would sustain that increased enrollment for two years.

Justification: ADAP medications are purchased using a federally-negotiated discount and cost even less than Medicaid-funded drugs. HIV treatment funds permit Montana to access supplemental federal funds by meeting a 1:4 state/federal match, and thus take full advantage of the cost-effective ADAP discount. Reduced federal funding over the last two years, combined with rising prescription costs and increased eligible clients, has led an ADAP waiting list of over 20 Montanans. Some have been waiting to be enrolled for as long as 18 months.

Goals:
- Reduce HIV morbidity and mortality by preventing progression to AIDS
- Reduce transmission risk by lowering viral load: a less infectious person lowers public health risk.
- Improve client health, quality of life, and productivity
- Decrease the need for expensive inpatient care

Performance Criteria:
- Increase current combined amount of federal and state funding to allow a total enrollment of 87 persons; and
- Decrease waiting list by 75 percent.

Milestones:
- By December 2007, enroll 16 new persons onto ADAP
- Through June of 2008, maintain new enrollment level average of 87 ADAP clients per month

FTE: No additional FTE requested, existing DPHHS staff will monitor the program.

Funding: 100 percent general fund.

Obstacles: Since there is an established waiting list at this time the department will be able to provide service immediately to those in need with no known obstacle.

Risk: Continued under-funding could lead to an unmanageable waiting list number and possible serious health consequences. No patients have gone without medicines to date because of a process to get donated medicines. However, this process is burdensome, unpredictable, and dependent on providers outside of our control. For the HIV infected person to have a well controlled virus requires high adherence to a treatment regimen including a stable and reliable supply of medications. The waiting list puts some individuals at risk for not receiving a supply of medications.

DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation) - This request is for $60,000 in state special revenue spending authority for each year of the biennium to allow Food and Consumer Safety to recover costs associated with inspections performed by PHSD employees. Many health departments defer the inspection and implementation of pool and spa programs to PHSD and the division needs authority for the additional revenue to cover personnel costs associated with the maintenance of the program. Pending legislation to increase pool inspection fees and plan reviews is being used to compute anticipated authority request.

Sub-Program Details

LAB 07

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	28.27	0.00	0.00	28.27	0.00	0.00	28.27	28.27
Personal Services	1,340,071	107,945	0	1,448,016	112,705	0	1,452,776	2,900,792
Operating Expenses	1,610,929	184,880	50,000	1,845,809	196,109	50,000	1,857,038	3,702,847
Equipment	109,381	0	145,000	254,381	0	145,000	254,381	508,762
Total Costs	**$3,060,381**	**$292,825**	**$195,000**	**$3,548,206**	**$308,814**	**$195,000**	**$3,564,195**	**$7,112,401**
General Fund	172,695	9,038	145,000	326,733	9,769	145,000	327,464	654,197
State/Other Special	2,465,337	261,290	0	2,726,627	274,311	0	2,739,648	5,466,275
Federal Special	422,349	22,497	50,000	494,846	24,734	50,000	497,083	991,929
Total Funds	**$3,060,381**	**$292,825**	**$195,000**	**$3,548,206**	**$308,814**	**$195,000**	**$3,564,195**	**$7,112,401**

The Laboratory Services Bureau 2009 biennium request increases about $1 million over the biennium – split between general fund and state special revenue from laboratory testing fees. The request includes general fund for additional laboratory equipment rather than increased laboratory testing fees to cover these costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					168,278					173,239
Vacancy Savings					(60,333)					(60,534)
Inflation/Deflation					282					296
Fixed Costs					54,598					65,813
Total Statewide Present Law Adjustments					**$162,825**					**$178,814**
DP 70011 - Increase Spending Authority for Laboratory	0.00	0	130,000	0	130,000	0.00	0	130,000	0	130,000
Total Other Present Law Adjustments	**0.00**	**$0**	**$130,000**	**$0**	**$130,000**	**0.00**	**$0**	**$130,000**	**$0**	**$130,000**
Grand Total All Present Law Adjustments					**$292,825**					**$308,814**

LFD COMMENT The laboratory statewide present law adjustments for personal services show an annual 12.5 percent increase over the personal services base budget amount. Approximately $100,000 relates to annualization of the pay plan approved by the 2005 Legislature. The remaining statewide present law adjustments are for restoration of funding for base year vacancies.

DP 70011 - Increase Spending Authority for Laboratory - This request is for $130,000 for each year of biennium in state special spending authority to meet projected increases in the DPHHS laboratory supply expenses. The number of tests performed by the Laboratory Services Bureau is expected to increase from 135,460 tests in FY 2005 to an estimated 145,000 tests in FY 2006.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70002 - Ongoing Lab Equipment Replace & Maintenance OTO										
07	0.00	145,000	0	0	145,000	0.00	145,000	0	0	145,000
DP 70013 - Food Emergency Response Network Grant										
07	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
Total	0.00	$145,000	$0	$50,000	$195,000	0.00	$145,000	$0	$50,000	$195,000

DP 70002 - Ongoing Lab Equipment Replace & Maintenance OTO - This request is for an increase of $145,000 in general fund for each year of the biennium to support state laboratory infrastructure. This infrastructure support is for equipment and instrument replacement and maintenance in the DPHHS Laboratory Services Bureau along with support for supplies and training for specialized testing.

The equipment that needs replacement in the next biennium includes:

- Total organic carbon analyzer $25,000
- Alkalinity/PH/conductivity system $35,000
- Inductively coupled plasma spectrophotometer for measuring metals in water $120,000
- Flow injection autoanalyzer for measuring anions in water $45,000
- Analytical microbalance for air monitoring $20,000
- Smaller instruments such as a muffle furnace, a water bath, 2 incubators, a mechanical convection oven, an analytical balance, 6 computer work stations, and a laboratory refrigerator $45,000
- Automated serology analyzer to detect antibodies to infectious diseases is needed to modernize testing procedures $60,000

The laboratory believes purchase of this equipment can not be supported by laboratory fees due to the high cost of the equipment and the need to keep fees at a reasonable level to support public health programs.

LFD ISSUE

Increased State Special Revenue can be Used to Offset Equipment Purchases

Because the laboratory had not increased their fees in several years, in FY 2006 the operating costs of the public health laboratory were greater than the revenues resulting in a net operating loss of $148,647. The program obtained a short-term loan to cover the shortfall and in FY 2007 implemented new fees. The increased fees should generate approximately $240,000 annually in additional revenues. In addition to the increased fees the laboratory anticipates $130,000 in additional revenues due to additional tests as requested in DP 70011.

The bureau's appropriation for state special revenues is budgeted to increase $261,290 in FY 2008 and $274,311 in FY 2009, about $100,000 less than anticipated revenues. By increasing the amount of the state special revenue appropriation the legislature could reduce the amount of general fund required to support this request. If the legislature approves the increase in state special revenues above, the legislature may also wish to consider appropriating additional state special revenues and reducing the amount of general fund needed for laboratory equipment purchases.

DP 70013 - Food Emergency Response Network Grant - An increase in federal authority of $50,000 is requested for each year of biennium for the Food Emergency Response Network (FERN) grant. This authority is being requested to bring the base in line with the expected grant award. The Laboratory Services Bureau was funded by a federal grant from USDA in September 2005 to enhance capacity for the laboratory for Food Emergency Response Network (FERN). The grant funding is expected to continue through the 2009 biennium. The funding is for laboratory equipment and supplies related to testing foods for bacterial pathogens.

Sub-Program Details

PUBLIC HEALTH SYS IMPROV & PREPAREDNESS 09

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	30.79	0.00	0.00	30.79	0.00	0.00	30.79	30.79
Personal Services	1,424,729	191,317	0	1,616,046	197,174	0	1,621,903	3,237,949
Operating Expenses	2,380,530	(56,114)	0	2,324,416	(51,746)	0	2,328,784	4,653,200
Equipment	122,281	0	0	122,281	0	0	122,281	244,562
Grants	5,387,536	1,541,925	0	6,929,461	1,541,925	0	6,929,461	13,858,922
Benefits & Claims	5,034	0	118,000	123,034	0	0	5,034	128,068
Total Costs	**$9,320,110**	**$1,677,128**	**$118,000**	**$11,115,238**	**$1,687,353**	**$0**	**$11,007,463**	**$22,122,701**
General Fund	20,150	1,239	118,000	139,389	1,276	0	21,426	160,815
State/Other Special	8,404	65,517	0	73,921	65,532	0	73,936	147,857
Federal Special	9,291,556	1,610,372	0	10,901,928	1,620,545	0	10,912,101	21,814,029
Total Funds	**$9,320,110**	**$1,677,128**	**$118,000**	**$11,115,238**	**$1,687,353**	**$0**	**$11,007,463**	**$22,122,701**

The 2009 biennium request for the Public Health System Improvement and Preparedness function increases about $3.5 million when comparing the 2009 biennium with the FY 2006 base budget. The increases result from federal revenues of $1.8 million per year for pandemic flu preparation and response, partially offset by a decrease of $0.4 million due to loss of the federal environmental health tracking grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					258,651					264,75
Vacancy Savings					(67,334)					(67,58(
Inflation/Deflation					3,500					4,14
Fixed Costs					7,874					10,79
Total Statewide Present Law Adjustments					**$202,691**					**$212,11**
DP 70015 - Public Health Emergency Preparedness	0.00	0	0	1,800,000	1,800,000	0.00	0	0	1,800,000	1,800,00
DP 70018 - BRFSS Spending Authority Increase	0.00	0	0	40,000	40,000	0.00	0	0	40,000	40,00
DP 70023 - BRFSS-02 Fee Account Continued Spending Authority	0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,00
DP 70101 - Reduce Budget for Environmental Pub Hlth Tracking	0.00	0	0	(430,563)	(430,563)	0.00	0	0	(429,760)	(429,76(
Total Other Present Law Adjustments	**0.00**	**$0**	**$65,000**	**$1,409,437**	**$1,474,437**	**0.00**	**$0**	**$65,000**	**$1,410,240**	**$1,475,24**
Grand Total All Present Law Adjustments					**$1,677,128**					**$1,687,35**

LFD COMMENT Statewide present law adjustments for personal services show an annual 18 percent increase over the personal services base budget amount. Approximately $100,000 relates to annualization of the pay plan approved by the 2005 Legislature. The remaining statewide present law adjustments are for restoration of funding for base year vacancies and salary or pay grade adjustments not funded in the pay plan.

DP 70015 - Public Health Emergency Preparedness - This present law adjustment request is for $1.8 million per year of biennium for federal spending authority for Montana to prepare for and respond to a pandemic flu event.

Justification: The U.S. Centers for Disease Control and Prevention (CDC) provides funding to assist state and local agencies prepare for an influenza pandemic. Funding is allocated to each state on a population based formula and requires state and local jurisdictions to complete assessments intended to measure local response capabilities, and develop and exercise a variety of response plans to ensure a coordinated response to an influenza pandemic.

Goals: To ensure a coordinated effort among state and local response agencies to ensure that systems are in place to protect the public health in the event of a pandemic influenza outbreak.

Performance Criteria: During the contract period DPHHS will have received and evaluated progress reports and work plans from 58 jurisdictions (51 county health and 7 tribal) receiving funding for pandemic influenza planning efforts. State and local contractors will conduct drills and exercises to ensure that information is available for prescribed performance measures by CDC. Contractors will plan drills and exercises that stress their routine and urgent response systems to ensure that they are building capacity for larger events.

Milestones: Each year of the biennium the division will provide specific guidance for pandemic influenza preparedness to local and tribal agencies. Agencies will submit work plans and, in some cases, refined response plans. The State of Montana has data systems in place to accurately capture required information and report requested information to the CDC.

FTE: No additional FTE are requested. Existing DPHHS staff will monitor the program.

Funding: 100 percent Federal funding.

Obstacles: Demand on local agencies related to emergency preparedness and pandemic influenza are increasing and smaller jurisdictions may have trouble developing adequate plans. DPHHS and partners agencies will continue to assist as needed to help ensure each area develops reasonable emergency response plans.

Risk: Failure to develop and exercise plans supported through this funding would increase the likelihood of illnesses and deaths in the event of an influenza pandemic.

LFD ISSUE Performance Measures

The performance criteria do not include how many reports are due from local partners, how often the reports are due, or how often the tests will be conducted. Nor does it include benchmarks to be attained to ensure Montana is ready for a pandemic influenza outbreak. Milestones are general for each year and do not include specific dates by which they will be completed. The legislature may wish to specify more specific performance measurements and milestones.

DP 70018 - BRFSS Spending Authority Increase - An increase in federal authority of $40,000 for each year of biennium is requested for the behavioral risk factor surveillance system (BRFSS). This authority is being requested to balance the base with the expected grant award. Increased funding includes: increased costs of administering the survey with a contracted survey company, increased sample size of Montana adults (6000) to allow for meaningful subpopulation/regional analyses, and an over-sampling of Montana's Native American population in order to understand high-risk populations and the relationship between behaviors and health outcomes. State and local health departments use data from BRFSS to determine high-priority health issues and identify populations at highest risk for illness, disability, and death. It is also used to develop strategic plans and targeted prevention programs and to monitor the effectiveness of public health programs.

DP 70023 - BRFSS-02 Fee Account Continued Spending Authority - This present law adjustment request is for $65,000 in state special revenue for each year of the biennium for the BRFSS fee account. When a program requests the addition of new items to the BRFSS survey, fees are collected to help support some of the state effort for the collaborative agreement with CDC/BSB. As a collaborative agreement, the BRFSS data users who request items be placed on the annual on-going survey are expected to help pay for such services through their own program funds.

DP 70101 - Reduce Budget for Environmental Pub Hlth Tracking - A reduction in federal authority to the base budget of $430,463 is requested for each year of the biennium for an environmental public health tracking grant. Montana was not granted funds for the implementation phase of the program and the program will not continue.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70107 - Purchase of Tamiflu - Biennial OTO										
09	0.00	118,000	0	0	118,000	0.00	0	0	0	
Total	**0.00**	**$118,000**	**$0**	**$0**	**$118,000**	**0.00**	**$0**	**$0**	**$0**	**$**

DP 70107 - Purchase of Tamiflu - Biennial OTO - This request is for a biennial appropriation of $118,000 in general fund for a one-time purchase of an additional 8,174 courses of Tamiflu. To assist Montana in the event of a pandemic, the federal government has set aside approximately 136,828 courses of Tamiflu. In addition to the supply being maintained by federal partners, a federal contract allows the state to purchase an additional 96,400 courses of treatment at a 25 percent discount. DPHHS has evaluated the state's potential needs under various scenarios to determine what, if any, additional courses of treatment would be necessary to respond to a pandemic. To supplement the federal set aside, DPHHS anticipates purchasing an additional 8,174 treatment courses as an added measure of protection. An option to purchase additional courses of treatment at the federally subsidized price will be periodically reassessed.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	109.95	1.00	0.00	110.95	1.00	0.00	110.95	110.95
Personal Services	5,249,065	689,612	0	5,938,677	713,993	0	5,963,058	11,901,735
Operating Expenses	1,529,230	179,099	0	1,708,329	190,765	0	1,719,995	3,428,324
Equipment	7,645	0	0	7,645	0	0	7,645	15,290
Grants	539,697	0	0	539,697	0	0	539,697	1,079,394
Total Costs	**$7,325,637**	**$868,711**	**$0**	**$8,194,348**	**$904,758**	**$0**	**$8,230,395**	**$16,424,743**
General Fund	1,980,699	373,463	0	2,354,162	387,103	0	2,367,802	4,721,964
State/Other Special	134,137	56,877	0	191,014	57,388	0	191,525	382,539
Federal Special	5,210,801	438,371	0	5,649,172	460,267	0	5,671,068	11,320,240
Total Funds	**$7,325,637**	**$868,711**	**$0**	**$8,194,348**	**$904,758**	**$0**	**$8,230,395**	**$16,424,743**

Program Description

The role of the Quality Assurance Division (QAD) is to protect the safety and well-being of Montanans by monitoring and ensuring the integrity and cost-effectiveness of programs administered by the department. The division fulfills this roll by providing comprehensive services that:

1. Protect the safety of clients that utilize Montana's health care, day care, and residential providers through licensure of 2,178 facilities. Of these facilities, 296 are certified by the division for participation in the Medicare and Medicaid programs;
2. Detect and investigate abusive or fraudulent practices affecting the Medicaid, TANF and Food Stamp programs and initiate recovery efforts;
3. Reduce Medicaid costs by identifying other insurers or parties responsible for paying a client's medical expenses;
4. Provide both internal and external independent audits for DPHHS programs;
5. Provide independent fair hearings for clients and providers participating in DPHHS programs;
6. Monitor and evaluate health maintenance organizations for quality assurance and network adequacy;
7. Maintain a Certified Nurse Aide Registry;
8. Approve and monitor nurse aide training programs;
9. Operate the Certificate of Need (CON) Program; and
10. Operate the internal HIPAA function for the department.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Livingston, Miles City, and Missoula.

Statutory authority: 42 U.S.C. 1818 and 42 U.S.C 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5, part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501, MCA; CFR 21, CFR 49, CFR 10; P.L. 102-359 (10-27-92).

Program Highlights

Quality Assurance Division
Major Budget Highlights

- Present law increases are dominated by statewide adjustments
- Increased estate and lien recovery costs add about $365,000 over the biennium
- The executive proposes a funding shift from federal funds to general fund due to a change in reimbursements

Major LFD Issues

- Executive proposal does not include administrative costs for PERM
- Vacant positions impact division ability to maximize reductions in inappropriate Medicaid payments
- Increased costs for lien and estate recovery may not continue past the 2009 biennium

Program Narrative

In the 2007 biennium, the legislature approved about $0.6 million to implement the new Medicaid Payment Error Program (PERM), including funds for 8.00 FTE to perform retrospective reviews of Medicaid eligibility and medical necessity of services. The program was anticipated to be self-supporting through the savings generated by the reviews.

In 2002, Congress passed the Improper Payments Information Act. During the 2005 Legislature, Centers for Medicare and Medicaid Services (CMS) indicated it would implement PERM by requiring each state to estimate improper payments in Medicaid and the Children's Health Insurance Program (CHIP). Additional funding was appropriated by the legislature so QAD would be able to annually review a sample of Medicaid and CHIP payments, focusing on eligibility and medical necessity for services, determining the error rate, and recovery of improper payments.

Due to nationwide concerns with the requirements of testing for errors at the state level, CMS changed the methodology for PERM. CMS hired three national contractors to conduct PERM testing and developed a testing schedule whereby each state has a test conducted within a three year period beginning in FFY 2006. Montana's testing will be conducted in FFY 2008. According to the second PERM Interim Final Rule, filed by CMS in August 2006, the production cycle for completing these reviews will take approximately 23 months so that the review would begin in October 1, 2007 and would be completed by August 30, 2009.

As a result of the change in the methodology for completing the PERM process, QAD did not expend any of the restricted appropriation relating to PERM. The legislature had appropriated about $0.3 million general fund and a like amount of federal revenues as a one-time-only appropriation over the biennium for the program.

The 2005 Legislature accepted the executive estimate of overpayment recoveries which would be generated through the PERM process. The executive estimated a recovery rate of 0.15 percent on total Medicaid expenditures of $715 million in FY 2006 and $751 million in FY 2007. Estimated savings were $0.3 million in FY 2006 for program start-up and $1.0 million in FY 2007. Due to the changes CMS implemented for the PERM program, the executive did not achieve the anticipated savings.

LFD ISSUE

QAD Budget Request Does Not Include Costs for PERM

The 2009 biennium budget request for QAD does not include additional costs associated with the administration of PERM testing over the biennium. LFD discussed the issue with QAD staff during analysis of the budget request. Staff are formulating an outline of the issues and costs. The executive may submit a budget amendment to the executive budget request related to these costs for consideration by the 2007 Legislature.

LFD ISSUE

Vacant Positions in SURS Unit Affect Recovery of Medicaid Funds

During FY 2006 the division experienced an overall 10.1 percent vacancy savings rate. Figure 45 illustrates the total FTE hours authorized in FY 2006 for each bureau within the division and the actual hours used.

Figure 45
Vacancy Rates By Bureau
FY 2006

	Authorized FTE Hours	Actual Hours Used	
Administration	8,352	7,807	6.5%
Program Compliance	64,728	54,159	16.3%
Audit	16,704	14,553	12.9%
Facilty Certification & Survey	64,728	56,344	13.0%
Fair Hearings	12,528	12,520	0.1%
Certification & Licensure	62,536	60,959	2.5%
Total	229,576	206,342	10.1%

As shown, the bureau with the highest vacancy rate is the Program Compliance Bureau, which operates the Surveillance and Utilization Review Subsystem Unit (SURS), the Third Party Liability (TPL) Unit and the Program Compliance Unit (PCU). Examination of the vacancies within the bureau shows that the vacancy rate for PCU was 11.8 percent, SURS 26.6 percent, and TPL 5.8 percent.

SURS is a federally mandated function to detect and investigate aberrant billing practices which may indicate fraudulent billing by providers in Medicaid and to conduct prior authorizations for various Medicaid services. Prior authorizations are completed for certain Medicaid services to determine if less costly alternatives are available or if the service is medically necessary.

According to the SURS website between 7 and 14 percent of health-care reimbursements are improperly made. In FY 2006, the Montana Medicaid Program cost $730.8 million. Using the SURS estimate between $51.2 million and $102.3 million of Medicaid costs may have been improperly paid. In FY 2006 SURS recovered 557,656 in Medicaid improper payments to providers or less than 1 percent of Medicaid payments in FY 2006. The ability of SURS to identify improper payments depends in part on qualified staff's ability to identify aberrant billing practices through computerized inquiries. If the SURS unit was able to hire and retain the staff the legislature funded the percentage of improper payment recovery may increase.

Retention and recruitment issues generally result from two considerations for the employee – the salary and/or internal factors relating to job quality of the position. According to division staff many of the SURS positions utilize nursing degrees. These positions have significant turnover due to salary constraints and uncompetitive wages.

One of the main responsibilities of nursing staff in SURS is to perform prior authorization review. The division is exploring the use of contractors to provide prior authorization reviews for SURS. The division would need to determine the cost benefit of hiring staff versus the costs of contracting for the services.

The unresolved vacancy rates within the Program Compliance Bureau impact the ability of the bureau to reduce Medicaid costs from improper billing and to process prior authorizations of Medicaid services. If the legislature wishes to address the vacancy rate within the bureau they might consider:

- Discussing recruitment and retention strategies with the division and the means for determining effectiveness
- Request SURS determine the cost effectiveness of contracting for prior authorizations and means of determining effectiveness

New Initiative Update

The 2005 Legislature added $31,000 in state special revenue over the biennium to fund administration of the Medical Marijuana Act, implemented through voter initiative in November 2004 (I-148). In FY 2006, QAD expended $11,560 for the program, processed 324 applications for medical marijuana registry identification cards and approved 252 of the applications.

The PERM implementation is discussed above.

Biennial Comparison

The Quality Assurance Division 2009 biennium request is $500,000 lower in total funds than the 2007 biennium expenditure budget. The 2009 biennium budget request did not include $0.3 million for PERM testing which was included in the 2007 biennium request as a restricted one-time-only appropriation. QAD FTE numbers declined by 8.00 FTE, this is due to the elimination of the PERM project.

Personal services increase slightly as compared to the 2007 biennium. However, as discussed above almost $300,000, the majority of which were personal services, was not requested for PERM. Without this reduction, personal services would have increased 2.5 percent. Operating expenses declined due to:

- $569,697 annually in Rural Hospital Flexibility Program costs reclassified to grants
- About $300,000 for the contract for lien and estate recoveries eliminated and the workload transferred to existing FTE. The FY 2006 costs for the lien and estate recovery program was $27,032.

Figure 46
2007 Biennium Compared to 2009 Biennium
Quality Assurance Divison

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percetn Incr/Decr
FTE	117.96	110.95			
Personal Services	11,853,984	11,901,735	72%	47,751	0.40%
Operating Expenses	4,497,324	3,428,324	21%	(1,069,000)	-23.77%
Equipment	17,518	15,290	0%	(2,228)	-12.72%
Grants	583,326	1,079,394	7%	496,068	85.04%
Total Costs	$16,952,152	$16,424,743	100%	($527,409)	-3.11%
General Fund	4,597,962	4,721,964	29%	124,002	2.70%
State Special	549,588	382,539	2%	(167,049)	-30.40%
Federal Special	11,804,602	11,320,240	69%	(484,362)	-4.10%
Total Funds	$16,952,152	$16,424,743	100%	($527,409)	-3.11%

General fund increases 3 percent due to a funding shift relating to federal reimbursement declining from 75 percent to 50 percent for the Third Party Liability (TPL) Section and reduction of state special revenues for lien and estate recovery costs with the elimination of the contract. Federal funds decrease by 4 percent over the period due to elimination of appropriation for PERM and the reduction for TPL. State special revenues decline 30 percent from the budgeted amounts reflected in the 2007 biennium due to elimination of $171,755 in lien and estate collections to support the Program Compliance Bureau operations.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table
Quality Assurance Divisi

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$1,980,699	27.0%	$2,354,162	28.7%	$2,367,802	28.8%
01100 General Fund	1,980,699	27.0%	2,354,162	28.7%	2,367,802	28.8%
02000 Total State Special Funds	134,137	1.8%	191,014	2.3%	191,525	2.3%
02034 Earmarked Alcohol Funds	60,178	0.8%	60,292	0.7%	60,696	0.7%
02497 6901-Lien & Estate - Sltcd	27,032	0.4%	118,572	1.4%	118,572	1.4%
02566 Medical Marijuana	11,560	0.2%	12,150	0.1%	12,257	0.1%
03000 Total Federal Special Funds	5,210,801	71.1%	5,649,172	68.9%	5,671,068	68.9%
03096 Discretionary Child Care	533,840	7.3%	543,860	6.6%	544,813	6.6%
03251 Child Care Admin	144,981	2.0%	146,817	1.8%	147,005	1.8%
03303 Title 18 Clia	71,285	1.0%	73,860	0.9%	74,495	0.9%
03335 Fda Mammography Inspections	49,420	0.7%	49,420	0.6%	49,420	0.6%
03530 6901-Foster Care 93.658	87,985	1.2%	87,370	1.1%	88,327	1.1%
03580 6901-93.778 - Med Adm 50%	719,827	9.8%	860,279	10.5%	862,032	10.5%
03597 03 Indirect Activity Prog 08	1,208,114	16.5%	1,292,177	15.8%	1,299,303	15.8%
03934 Title 19	540,208	7.4%	660,582	8.1%	664,086	8.1%
03935 Title 18	1,279,369	17.5%	1,352,453	16.5%	1,358,992	16.5%
03948 T-19 Obra Nurse Aid	30,680	0.4%	37,165	0.5%	37,391	0.5%
03960 Rural Hospital Flexibilty Prog	545,092	7.4%	545,189	6.7%	545,204	6.6%
Grand Total	$7,325,637	100.0%	$8,194,348	100.0%	$8,230,395	100.0%

The Quality Assurance Division is funded primarily with federal funds (69 percent of the 2009 biennium appropriations). General fund supports about 29 percent of program costs with the remaining 2 percent of budgeted expenditures are supported by state special revenue.

General fund supports a portion of the administrative functions, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of child care licensure, and the full cost of radiological equipment testing.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, medical marijuana registry fees, and indirect cost recovery funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for services to pursue recoveries for the costs of Medicaid, mainly for nursing home services. Medical marijuana registry fees cover the cost of administering the registry.

There are 11 separate federal funding sources in the Quality Assurance Division budget request. Some federal sources support more than one function. For instance, Medicaid funds support: 1) third party (Medicare, insurance, and private pay) recovery; 2) the surveillance, utilization, and review unit; 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud surveillance contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities. Mammography funds pay for inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					900,131					925,491
Vacancy Savings					(245,971)					(246,982)
Inflation/Deflation					22,252					23,459
Fixed Costs					(20,471)					(19,863)
Total Statewide Present Law Adjustments					**$655,941**					**$682,105**
DP 80002 - QAD Rent Increase	0.00	12,330	222	21,534	34,086	0.00	15,472	318	28,179	43,969
DP 80007 - Leased Vehicles (2) For Field Staff	0.00	(2,984)	0	(1,412)	(4,396)	0.00	(2,984)	0	(1,412)	(4,396)
DP 80008 - Additional Lien and Estate Recovery Costs	0.00	0	91,540	91,540	183,080	0.00	0	91,540	91,540	183,080
DP 80009 - Child Care Licensing Increase 1 FTE	1.00	0	0	0	0	1.00	0	0	0	0
DP 80010 - TPL Funding Adjustment	0.00	58,231	0	(58,231)	0	0.00	58,340	0	(58,340)	0
Total Other Present Law Adjustments	**1.00**	**$67,577**	**$91,762**	**$53,431**	**$212,770**	**1.00**	**$70,828**	**$91,858**	**$59,967**	**$222,653**
Grand Total All Present Law Adjustments					**$868,711**					**$904,758**

LFD COMMENT

Annual statewide present law adjustments for personal services increase 17 percent above the personal services FY 2006 base. $325,000 of the annual increase is attributable to annualization of the pay plan increases approved by the 2005 Legislature. About $326,000 of the increase is to restore funding for base year vacancies. The remaining $250,000 for funding salary or pay grade adjustments not funded in the pay plan and increased costs for employee benefits.

DP 80002 - QAD Rent Increase - This request is for rent increases. Rent for the division is increasing between 2-3 percent per year. In addition, department staff will be moving into a new building in Kalispell in FY 2008 which has an increase in the rental prices associated with it.

DP 80007 - Leased Vehicles (2) For Field Staff - This request is for a reduction each year of the biennium to lease two motor pool cars. QAD has three staff in Missoula and two staff in Great Falls driving their own cars. The reductions reflect the cost savings to the division from leasing motor pool cars rather than reimbursing the employees for the costs of driving their own cars.

DP 80008 - Additional Lien and Estate Recovery Costs - This request is for $183,080 in state special revenue funds in each year of the FY 2009 biennium for additional Lien and Estate recovery costs. The division estimates that as a result of these recovery efforts lien and estate state special revenue (SSR) collections will increase $253,840 in FY 2008 and $258,800 in FY 2009.

LFD ISSUE

Higher Costs May Not Continue Past the 2009 Biennium

The division cancelled the contract for a third party to pursue lien and estate recoveries and has been completing the recoveries in-house with current resources. In FY 2006 this change resulted in about $275,000 of savings for the program.

The division estimates revenues as the amount of the estimated property value less the associated costs for selling the property. The costs include real estate fees, closing costs, mortgage amount, and back taxes. The division estimates it could generate an average recovery of $20,000 per case or $800,000 per year. The division is required to return the federal share back to Centers for Medicare Medicaid Services (CMS), which represents approximately 68 percent of the net sales proceeds or $544,000. Additional net revenue of $70,760 in FY 2008 and $75,720 in FY 2009 would be put into the Senior and Long Term Care Division to offset the costs of providing the care.

When an estate goes into probate, statute allows the executor three years to close the estate. If probate extends beyond three years the executor can settle the case without paying the state the costs of care provided through Medicaid. When the division began to process lien cases in-house they determined 76 cases were outstanding longer than probate statutes allow. In these situations, the division can force the executor to close the case by requesting the court grant the division status as a special administrator or order the executor to close the case and settle with the state. The costs associated with closing these cases include legal services from the Department of Justice, repair and maintenance of the property to ready them for sale, back taxes, and insurance. The division is in the process of resolving the 76 outstanding cases. Costs related to the outstanding cases are higher than the majority of lien and estate cases due to increased legal costs associated with the probate process. The resolution period extends into the 2009 biennium due to the process and time required to sell the property.

As discussed above, the current backlog for these cases is 76. According to staff working with the program, about an additional 10 percent or 20 cases need to go through the probate process each year. QAD estimates include a continuing case load of 40 properties a year requiring settlement at an average cost of $4,577 per property. However, once the backlog is resolved, it appears only 20 cases a year may require settlement through the probate courts.

The legislature may wish to consider

- appropriating these funds as one-time-only appropriation to resolve the backlog or
- appropriating the full amount for the 2009 biennium and including language in a companion bill that continuing appropriation authority at this level would be conditioned on the outstanding number of cases estimated for future biennia.

DP 80009 - Child Care Licensing Increase 1 FTE - The executive requests converting 1.00 modified FTE to a permanent position for each year of the biennium to provide administrative and technical support for the Child Care Licensing Program.

LFD COMMENT	This request is for a federally funded position which would be on-going over the foreseeable future.

DP 80010 - TPL Funding Adjustment - This package adjusts the funding in the TPL Unit. It was originally funded at 25 percent general fund and 75 percent federal funds. It is now a 50 percent general fund program. This decision package requests $58,231 in general fund with a reduction of equal amount in federal funds for FY 2008 and $58,340 in general fund with a reduction of equal amount in federal funds for FY 2009.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	56.10	0.00	0.00	56.10	0.00	0.00	56.10	56.10
Personal Services	3,094,418	241,505	0	3,335,923	255,351	0	3,349,769	6,685,692
Operating Expenses	13,758,257	1,672,142	0	15,430,399	1,823,419	0	15,581,676	31,012,075
Equipment	0	0	0	0	0	0	0	0
Debt Service	307,596	0	0	307,596	0	0	307,596	615,192
Total Costs	**$17,160,271**	**$1,913,647**	**$0**	**$19,073,918**	**$2,078,770**	**$0**	**$19,239,041**	**$38,312,959**
General Fund	6,474,663	991,836	0	7,466,499	1,069,861	0	7,544,524	15,011,023
State/Other Special	645,254	68,966	0	714,220	75,025	0	720,279	1,434,499
Federal Special	10,040,354	852,845	0	10,893,199	933,884	0	10,974,238	21,867,437
Total Funds	**$17,160,271**	**$1,913,647**	**$0**	**$19,073,918**	**$2,078,770**	**$0**	**$19,239,041**	**$38,312,959**

Program Description

The Technology Services Division (TSD), formerly the Operations and Technology Division, is responsible for all agency information technology. TSD has three bureaus: External Systems Bureau, Information Systems Bureau, and the Network and Communications Bureau. The bureaus provide support in operational and technological areas critical to DPHHS in the following manner:

- **The External Systems Bureau** is engaged in project management, using outside contractors to develop and manage major data systems. These systems include:
    - SEARCHS - The System for Enforcement and Recovery of Child Support, which performs automated financial management of child support activities including collections, absent parent location, paternity establishment, and order modifications for child support enforcement
    - CAPS - The Child & Adult Protective Services System, an automated social services information system covering all major program areas of child and adult protective services and juvenile corrections including case management and payment processing functions
    - TEAMS - The Economic Assistance Management System, performing on-line eligibility determination for food stamps, Temporary Assistance for Needy Families (TANF), and Medicaid programs
    - CHIMES - the Combined Healthcare Information and Medicaid Eligibility System that replaces the Medicaid Eligibility component in TEAMS
    - CCUBS - Child Care Under the Big Sky, performing automated eligibility determination, case maintenance, payment, and reporting of day care benefits
    - MMIS - The Montana Medicaid Information System, a medical provider claims processing, payment, and information retrieval system (direct management of this system is in the Director's Office)
    - The MONTANA ACCESS Program - an electronic benefit transfer (EBT) system that provides on-line distribution of food stamp benefits, TANF cash assistance, and child support collections
    - EBCS and EDRS - The Electronic Birth Certificate and Death Registration systems automating registration, issuance, and maintenance of vital events (birth and death)
    - TESS - The Eligibility Screening System, automating eligibility functions with two components, one for the Children's Health Insurance Plan (CHIP) and one for the Mental Health Service Plan (MHSP)
    - The Virtual Human Services Pavilion, an internet application designed and developed to provide citizens with easy access to a wide range of government services and information

- **The Information Services Bureau** provides database management, user help desk, and internal system development. Systems developed and maintained by internal programmers include:
  - ISERV -- Information Services - time recording (electronic time sheets) and travel reimbursement
  - PERQS -- Purchasing, Entry, Receiving and Query System - purchasing and accounts payable system
  - AWACS -- Agency wide Accounting and Client System - payment data base
  - MICRS -- Montana Integrated Cost Recovery System - institutional reimbursement system (all financial systems) and
  - TIER (a patient management system used at Boulder and Warm Springs).

- **The Network and Communications Bureau** provides networking and desktop services to all agency employees

Statutory authority is in Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

Program Highlights

Technology Services Division Major Budget Highlights
♦ 2009 biennium budget is 5 percent greater than the 2007 biennium budget due to statewide present law adjustments and on-going systems support ♦ The Governor proposes \$26.3 million over the 2009 biennium for Internet technology projects, of which \$12.7 million is general fund

2007 Biennium New Initiative Updates
The 2005 Legislature approved $0.3 million over the biennium of general fund, state special revenue, and federal revenue to support the system implementation of HB552 (medicaid asset limit) and HB 667 (insurance pools). General fund in the amount of $13,821 for HB 552 and state special revenue of $101,000 for HB 667 went unused in FY 2006 due to the slow start of the implementation of the bills, and were reverted. The department transferred the unused federal authority of $162,821 ($149,000 for HB 667 and $13,821 for HB 552) to general operations in support of system update needs. There is $50,000 appropriated in FY 2007 for HB 667, $25,000 each of state special revenue and federal funds. As of this writing, the role of the division and amount of system work that may be needed is unclear. There is no appropriation for FY 2007 related to HB 552.

Program Narrative
Formerly known as the Operations and Technology Division, this division was renamed the Technology Services Division (TSD) following a reorganization in FY 2006 that moved the Internal Support, Budget, and Vital Records units to the Financial Services Division, which was renamed the Business and Financial Services Division (BFSD). A total of 21.5 FTE were moved to BFSD through a budget amendment that decreased the division's personal services budget by about $1.7 million and the operations budget by slightly more than $3.7 million, eliminating about $5.4 million over the biennium from the TSD budget and increasing the BFSD budget. The reorganization was established at the onset of the 2007 biennium, so the comparison of the 2007 biennium to the 2009 biennium in Figure 47 below shows the FTE and expenditures after the transfer.

The growth in personal services, operating costs, and the related increases in general and federal funds reflected in Figure 47 are primarily due to the implementation of the pay plan approved by the 2005 Legislature, three requests totaling $0.4 million for on-going system support and a contract increase in present law proposals as well as statewide present law adjustments.

Figure 47
2007 Biennium Compared to 2009 Biennium
Technology Services Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	56.10	56.10		0	
Personal Services	$6,252,633	$6,685,692	17.5%	$433,059	6.9%
Operating	29,831,663	31,012,075	80.9%	1,180,412	4.0%
Equipment	1	0	0.0%	(1)	-100.0%
Debt Service	590,387	615,192	1.6%	24,805	4.2%
Total Costs	$36,674,684	$38,312,959	100.00%	$1,638,275	4.5%
General Fund	$13,089,452	$15,011,023	39.2%	$1,921,571	14.7%
State Special	1,254,645	1,434,499	3.7%	179,854	14.3%
Federal Funds	22,330,587	21,867,437	57.1%	(463,150)	-2.1%
Total Funds	$36,674,684	$38,312,959	100.0%	$1,638,275	4.5%

Figure 48 summarizes division funding by function. Nearly 68 percent of the division's expenditures are projected to support contracted computer development and maintenance. These systems provide a wide variety of services related to program eligibility determination, claims processing, data collection, case management support, and payment processing.

The substantial increase in network and communications services is a result of the Department of Administration (DOA) assessment of $2.7 million in FY 2008 and $2.9 million in FY 2009 for the data network server. The department moved the costs that were formerly assessed to several divisions to a central location in the TSD budget for ease of billing, payment, and the cost allocation process. The Budget and Analysis increase funds one new financial specialist FTE transferred from BFSD during the reorganization process.

Figure 48
Operations and Technology Division
Summary of Funding by Function

Function	Fiscal 2006 Actual General Fund	Fiscal 2006 Actual Total Funds	Fiscal 2008 Requested General Fund	Fiscal 2008 Requested Total Funds	Fiscal 2009 Requested General Fund	Fiscal 2009 Requested Total Funds	2009 Biennium General Fund	2009 Biennium Total Funds	Percent Increase	Percent of Division
Centralized Services										
Division Administration	$171,567	$449,910	$47,356	$124,185	$47,442	$124,411	$94,798	$248,596	-72.4%	0.6%
Budget and Analysis	6,275	7,835	46,171	57,649	46,591	58,174	92,762	115,823	639.1%	0.3%
Network and Communications Svcs.	526,810	1,323,468	1,846,707	4,076,175	1,919,365	4,228,979	3,766,072	8,305,154	213.8%	21.7%
Information Systems Bureau	678,132	1,618,081	749,007	1,787,194	752,628	1,795,835	1,501,635	3,583,029	10.7%	9.4%
Total Centralized Services	$1,382,784	$3,399,294	$2,689,241	$6,045,203	$2,766,026	$6,207,399	$5,455,267	$12,252,602	80.2%	32.0%
Contracted Computer Systems										
TEAMS	$2,461,683	$6,840,386	$2,400,107	$6,619,557	$2,400,908	$6,621,677	$4,801,015	$13,241,234	-3.2%	34.6%
SEARCHS	668,965	2,913,316	645,419	2,810,776	645,419	2,810,776	1,290,838	5,621,552	-3.5%	14.7%
CAPS	1,364,099	2,435,848	1,133,607	2,024,265	1,134,020	2,025,001	2,267,627	4,049,266	-16.9%	10.6%
WIC	9,794	9,794	9,783	9,783	9,783	9,783	19,566	19,566	-0.1%	0.1%
Electronic Benefit Transfer (EBT)	580,337	1,561,633	581,341	1,564,334	581,367	1,564,405	1,162,708	3,128,739	0.2%	8.2%
MMIS	7,001		7,001		7,001		14,002	0	na	0.0%
Total Contracted Computer Systems	$5,091,879	$13,760,977	$4,777,258	$13,028,715	$4,778,498	$13,031,642	$9,555,756	$26,060,357	-5.3%	68.0%
Total Operations & Technology Div.	$6,474,663	$17,160,271	$7,466,499	$19,073,918	$7,544,524	$19,239,041	$15,011,023	$38,312,959	11.6%	100.0%

The Governor proposes legislation to fund Internet technology projects for DPHHS that, if approved, would impact use of general fund as well as federal revenue related to TANF, food stamps, child protection, and Medicaid. As of this writing legislation has only been requested. Figure 49 shows the budget as prepared by division staff in October, 2006. It reflects the proposal for $14 million in federal revenue and $13 million of general fund over the 2009 biennium. The federal funding includes:

- TEAMS – 53 percent in the TANF block grant
- CAPS – 50 percent Title IV-E entitlement funds (foster care)
- Food Stamp Eligibility - 50 percent from the USDA Food and Nutrition Service
- ICD 10 – Medicaid at 90 percent
- CHIMES – Medicaid at 50 percent

Figure 49
Summary of System Funding in Proposed Legislation

System Design	FY 2008 Estimated	FY 2009 Estimated	Total 2009 Biennium Estimated	Total 2011 Biennium Estimated	Total Legislation Request
TEAMS System - TANF					
TANF Block Grant	$2,600,000	$2,200,000	$4,800,000	$3,800,000	$8,600,000
General Fund	5,000	3,650,000	3,655,000	3,970,000	7,625,000
Subtotal	$2,605,000	$5,850,000	$8,455,000	$7,770,000	$16,225,000
Food Stamps					
USDA Food & Nutrition	$1,055,000	$2,430,000	$3,485,000	$3,050,000	$6,535,000
General Fund	1,055,000	2,430,000	3,485,000	3,050,000	6,535,000
Subtotal	$2,110,000	$4,860,000	$6,970,000	$6,100,000	$13,070,000
CHIMES					
Medicaid	$550,000	$0	$550,000	$0	$550,000
General Fund	550,000	0	550,000	0	550,000
Subtotal	$1,100,000	$0	$1,100,000	$0	$1,100,000
CAPS - Child & Adult Protection					
Title IV-E Revenue	$204,600	$3,669,160	$3,873,760	$8,072,240	$11,946,000
General Fund	260,400	4,669,840	4,930,240	10,273,760	15,204,000
Subtotal	$465,000	$8,339,000	$8,804,000	$18,346,000	$27,150,000
ICD 10					
Medicaid Revenue	$0	$900,000	$900,000	$1,800,000	$2,700,000
General Fund	0	100,000	100,000	200,000	300,000
Subtotal		$1,000,000	$1,000,000	$2,000,000	$3,000,000
Total Systems					
Total Federal Funds	$4,409,600	$9,199,160	$13,608,760	$16,722,240	$30,331,000
Total General Fund	1,870,400	10,849,840	12,720,240	17,493,760	30,214,000
Total	$6,280,000	$20,049,000	$26,329,000	$34,216,000	$60,545,000

History

In accordance with Montana Code (2-17-523, MCA), the Information Technology Services Division published an extensive IT plan in 2006 covering immediate to long term system needs for DPHHS. The plan ties maintenance and development of IT projects to agency and division mission and goals, and identified the top priority system upgrades through FY 2011. The systems identified in Figure 49 were among the top priorities.

Currently TEAMS comprises functions of TANF, Food Stamps, and CHIMES, all running in TEAMS on the mainframe. TEAMS was developed in the late 1980's with IDMS and COBOL programming that is now outdated. Additionally, while combined in one system, federal mandates are difficult to change, take more time to complete, and can require other projects or enhancement work to be stopped to meet the federal requirements.

CHIMES, the Medicaid eligibility piece of TEAMS, is the furthest along in the programming process and funding is requested for FY 2008 only. CHIMES is scheduled to move from the ITSD mainframe in the 2009 biennium. TEAMS would continue to be hosted on the ITSD mainframe until the TANF and Food Stamp systems are also completed and moved to the new platform. Once the TANF and Food Stamp systems are completed and off the mainframe, the costs of maintenance and enhancements will "move" from the mainframe to the server platform. TANF and Food Stamp systems funding is requested to begin in FY 2008 and continue through the 20011 biennium. There is further discussion in the present law section.

CAPS is a request for funding a new Child and Adult Protective Services System, which is an automated social services information system covering all major program areas of child protection, adult services, juvenile corrections and probation. The current system, developed in 1996, no longer meets the needs of the users and mandated reporting requirements with many functions currently performed outside the system, causing inconsistencies, and leaving room for errors.

ICD-10 is the federally mandated, new procedure and diagnosis code set for the Medicaid Management Information System for federal coding and reporting. It will replace the current system with 90 percent of the funding coming from the federal government.

The overarching goal beyond federal mandates is to have new systems that are easy to maintain and update, and would provide more accurate, complete and efficient eligibility determination, produce more accurate and efficient federal reports, and improve program management in the areas of quality control, program security, issuance via the electronic

benefit transfer (EBT) system as well as interfaces with other systems (i.e., Social Security, Child Support Enforcement Dept. of Labor, etc.)

LFD COMMENT The funding is attached to legislation. The benchmarks are established in the Department o Administration (DOA) through the Montana Information Technology Act. The chief informatio officer with DOA monitors the benchmarks and distributes the funding. The ultimate management o the projects falls with TSD.

The legislature may wish to have the division address costs that could impact this and future legislatures such as:

- A description of items that would protect this and future legislatures from potential cost overruns
    - The amount of contingency funding that is anticipated to be in the contracts and plans to replenish i should the contingency be used early in the project
    - Controls that TSD has in place to ensure the budget and project development stay on track wit budget predictions, goals, timeline, and costs
    - The estimated cost of operating and maintaining the systems once they are up and running for thing like license renewals, technical support or service agreements, hardware or software, facilitie management contracts, and system enhancements or modifications
    - Options in the event that state plans for federal funding do not receive federal approval or chang during the project
    - The existence of a memorandum of understanding between TSD and DOA articulating the role o each party relative to such things as benchmarks, monitoring, financing, contract negotiation unforeseen emergencies or delays in development, and the strategy to govern the responsibilitie after the projects are completed
- An explanation of the component for DPHHS staff training and the cost estimate including:
    - Plans to ensure that division goals and services are met during the time staff is required to study, tes and implement the system, and
    - Sources of funding should "temp" workers be needed to support the process
- The evidence behind anecdotal comments in the goals of the IT plan for all three proposals that indicates certai operations will ultimately be achieved 'at a lower cost'
- An update of the timeline and costs referred to in the TANF component of the IT plan indicating "Eventually, w plan to place another database and web server and SAN in another site (possibly Billings) to provide redundanc and higher availability."
- An update on the impact of this legislation on the TSD goals and related budget items including:
    - The balance between work on the systems that could be done by TSD staff and work tha necessitates new or revised contracts
    - The potential need for additional FTE in the 2011 biennium

While a timeline and benchmarks are included in the IT plan, the legislature may also wish to request regular progres and expenditure reports to the appropriate interim committee.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table
Technology Services Divi

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$6,474,663	37.7%	$7,466,499	39.1%	$7,544,524	39.2%
01100 General Fund	6,474,663	37.7%	7,466,499	39.1%	7,544,524	39.2%
02000 Total State Special Funds	645,254	3.8%	714,220	3.7%	720,279	3.7%
02381 02 Indirect Activity Prog 09	645,254	3.8%	714,220	3.7%	720,279	3.7%
03000 Total Federal Special Funds	10,040,354	58.5%	10,893,199	57.1%	10,974,238	57.0%
03598 03 Indirect Activity Prog 09	10,040,354	58.5%	10,893,199	57.1%	10,974,238	57.0%
Grand Total	$17,160,271	100.0%	$19,073,918	100.0%	$19,239,041	100.0%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2009 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					380,498					394,923
Vacancy Savings					(138,993)					(139,572)
Inflation/Deflation					(94,580)					(94,305)
Fixed Costs					1,522,644					1,673,246
Total Statewide Present Law Adjustments					**$1,669,569**					**$1,834,292**
DP 90004 - CAPS System Facilities Management Increase	0.00	61,618	0	48,414	110,032	0.00	61,618	0	48,414	110,032
DP 90007 - Ongoing Support for DPHHS Security System	0.00	9,112	1,334	9,554	20,000	0.00	9,294	1,361	9,745	20,400
DP 90008 - On Going Support for CHIMES	0.00	57,023	0	57,023	114,046	0.00	57,023	0	57,023	114,046
Total Other Present Law Adjustments	**0.00**	**$127,753**	**$1,334**	**$114,991**	**$244,078**	**0.00**	**$127,935**	**$1,361**	**$115,182**	**$244,478**
Grand Total All Present Law Adjustments					**$1,913,647**					**$2,078,770**

Personal Services

The FY 2006 base salary as calculated after the reorganization is about $2 million, which the Governor proposes to increase by about 12 percent each year of the biennium. Nearly $102,000 of the increase covers the implementation of the pay plan approved by the 2005 Legislature and slightly more than $260,000 funds salary and pay grade adjustments, some of which are associated with the movement of 8.60 FTE to the broadband pay plan, as well as benefits, longevity, and health insurance.

Costs beyond personal services reflected in present law are assigned to the division's budget from other sources. The increase in fixed costs listed above primarily represents the Department of Administration assessment for network services for the entire agency, which now appears as a total figure in the TSD budget. The department made this adjustment to move costs into a central location for ease of billing, payment, and the cost allocation process.

Present Law Decision Packages

DP 90004 - CAPS System Facilities Management Increase – The Governor requests $220,000 for the Child and Adult Protective Services (CAPS) contract, for an increase in cost of living and level of effort. Level of effort refers to the number of dedicated programming hours (usually 156.7 per month or 1,880 hours per year) that a contractor will provide per the terms of the contract for system maintenance. The funding request for this decision package is $123,236 general fund and $96,828 federal funds over the biennium. The present contract runs from July 1, 2006 through June 30, 2011 for a total of $7 million.

LFD COMMENT

Facilities Management is an on-going contracted service. According to SABHRS, expenditures fo consultants and professional services for the CAPS system were $1.5 million in FY 2004 and $1.4 million in FY 2005. Expenditures for FY 2006 in the same category were $1.9 million.

The legislature may wish to designate the funding as restricted and one-time-only, and ask the division to provide information that would allow the next legislature to assess:

- The facility management needs relative to the contract through the 2011 biennium and expectations for increases when the new contract is negotiated
- Projections for facilities management related to the CAPS reprogramming included in the Technology Legislation proposed by the Governor

The legislature might want to suggest measurements not only for CAPS, but for all systems that have facilities management contracts that could include the terms and timeframe of the contracts, the actual amounts spent on facilities management contracts for FY 2008 – FY2011, and projections that could impact the 2011 legislature and the following legislature.

DP 90007 - Ongoing Support for DPHHS Security System - The Governor requests $40,000 for the biennium to provide ongoing maintenance and support for the DPHHS security system, which is a web-based application that has automated the department's security function for management control, monitoring and reporting of security access information, or providing federally requested reports. The funding for this decision package is $18,406 general fund, $2,695 state special revenue, and $19,299 federal funds over the biennium, and would primarily be used to address resolution of system problems, implementation of enhancements to meet the changing needs of the Department, and project support for end users when they have questions about the system.

LFD COMMENT

Should the legislature opt to fund this proposal, it may wish to consider one-time-only, restricted funding to allow the next legislature to assess the need of a contract versus in-house programming in its budget evaluation.

DP 90008 - On Going Support for CHIMES - This request is for $228,000 over the biennium to fund the platform costs associated with the new Medicaid eligibility system, called the Combined Health Information and Medicaid Eligibility System (CHIMES). The funding for this decision package, which also includes costs associated with annual lease payments, maintenance for servers, and operating system support, is $114,046 general fund and $114,046 federal funds over the biennium.

As mentioned in the IT legislation discussion, over the next several years, TSD will realize increased costs because CHIMES, the Medicaid eligibility piece of TEAMS, is moving from the mainframe to a server platform. TANF and Food Stamp are requested to begin building in FY 2008 with a three to three and a half year timeframe, so the dual platform costs associated with this request could last until about 2011.

LFD COMMENT

This request is also related to $1.1 million in the Governor's proposed legislation for FY 2008, which could indicate that the split of the funding between the two fiscal years would not be accurate if CHIMES is not "off the mainframe" early in FY 2008. Should the legislature opt to fund this proposal, it may wish to consider one-time-only, restricted, and biennial funding to allow the division some flexibility, and allow the next legislature to review the progress that has been made with the FY 2008 funding from the legislation, and receive a current report of the FY 2008 base year needs for the CHIMES system and projections for the 2011 biennium.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	492.92	0.00	1.00	493.92	0.00	1.00	493.92	493.92
Personal Services	22,208,155	553,531	40,779	22,802,465	717,688	40,820	22,966,663	45,769,128
Operating Expenses	8,376,219	140,305	1,129,504	9,646,028	236,449	61,064	8,673,732	18,319,760
Equipment	68,120	(53,120)	0	15,000	(53,120)	0	15,000	30,000
Benefits & Claims	96,915,222	2,598,760	14,211,731	113,725,713	2,659,299	18,015,352	117,589,873	231,315,586
Debt Service	0	0	0	0	0	0	0	0
Total Costs	**$127,567,716**	**$3,239,476**	**$15,382,014**	**$146,189,206**	**$3,560,316**	**$18,117,236**	**$149,245,268**	**$295,434,474**
General Fund	46,584,972	1,520,275	3,738,665	51,843,912	1,817,150	4,651,055	53,053,177	104,897,089
State/Other Special	1,458,428	512,758	2,782,826	4,754,012	513,938	2,185,587	4,157,953	8,911,965
Federal Special	79,524,316	1,206,443	8,860,523	89,591,282	1,229,228	11,280,594	92,034,138	181,625,420
Total Funds	**$127,567,716**	**$3,239,476**	**$15,382,014**	**$146,189,206**	**$3,560,316**	**$18,117,236**	**$149,245,268**	**$295,434,474**

Program Description

Disability Services Division (DSD) assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. DSD is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for the state institution at the Montana Developmental Center (MDC) in Boulder.

Vocational Rehabilitation (VR) serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration.

Disability Services Division (DSD) serves the telephone needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled through the Montana Telecommunication Access Program (MTAP).

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Program Highlights

Disability Services Division
Major Budget Highlights

- The 2009 biennium budget is $37 million greater than the 2007 biennium budget primarily due to a $35 million increase in benefits and claims included in the Governor's budget comprising:
    - $18 million to implement the 2009 biennium phase of the rate rebasing project
    - $11.4 million to reduce the waiting list
    - $5 million to annualize cost plans for individuals moving into the communities

- $1 million for a contingency appropriation for the Montana Telecommunication Access Program
- ♦ The $12 million increase in general fund and $20 million increase in federal funding corresponds to the Governor's request to increase benefits
- ♦ The $5 million increase in state special revenue is due to:
  - A $1 million contingency request in the event that the federal government mandates that states pay for new technologies in the telecommunication programs
  - $3.9 million of I-149 funds in support of provider rate rebasing and increases

LFD Major Issues

- ♦ Montana Developmental Center Medicaid reimbursements may be over-estimated

2005 Legislative Initiatives

The following initiatives implemented by the 2005 Legislature have set the stage for this legislature and future legislatures to discuss a statewide infrastructure to provide services to Montana's developmentally disabled population in a community setting and at MDC. The initiatives are intertwined with issues faced by this legislature that will be discussed in greater detail later in the context of the Governor's budget.

The 2005 Legislature provided $8.7 million to address the waiting list for developmentally disabled services, the downsizing of MDC, and direct care worker wages.

The initiatives were partially driven by litigation at both the state and federal level. At the federal level, the U.S. Supreme Court decision in the case commonly known as Olmstead requires states to provide community based services for persons with disabilities who would otherwise be entitled to institutional services under appropriate conditions. At the state level, the settlement in February of 2004 of the case commonly known as Travis D also provides for appropriate community services for individuals with disabilities.

Wait List Reduction

The legislature provided about $0.6 million general fund and $1.6 million federal funds for the biennium as a restricted appropriation to move 15 individuals off the developmental disabilities waiting list. At the time of the appropriation, there were about 500 individuals throughout the state receiving no services, and about 800 individuals receiving some services.

Reduction of the waiting list is on-going. As of December 1, 2006 the division has removed 40 individuals from the waiting list as follows:

- o 20 adults from the waiting list of about 500 that were receiving no services
- o 20 adults from the waiting list of about 800 that had access to some services

Additionally, the division expanded services to 28 individuals, children aging out of intensive Medicaid waiver services and aging out of foster care services into community services. The division estimates that there are approximately 25 individuals that may come into the system in the next few years.

There is further discussion in the new proposal section with DP 10010.

Address the requirements of the Travis D lawsuit

The legislature also provided about $2.2 million to address the Travis D lawsuit and support the move of 26 individuals from MDC into community services, support community training, provide crisis funds and community construction start-up. As of this writing the division has moved 26 individuals into the community and plans to additionally move all individuals from MDC's Unit 16AB into the community by the summer of 2007 and close the unit. It was reported to the Legislative Finance Committee that the unit would be closed by the end of December, 2006. However, there are four individuals requesting to remain in the Boulder community. The contracted provider has attempted to purchase property to convert to a suitable home environment in Boulder. The sale did not go through, and a more realistic timeline to move these individuals is now the summer of 2007. The community training and crisis funds are in place, and start-up funds were awarded to communities so they can accept MDC individuals and ensure their health and safety.

New Secure Unit

Although the population is decreasing at MDC, the construction of a new, secure replacement unit is scheduled to begin in December of 2006. Funding of $2.5 million was provided through HB 5, the long range building program bill, by the 2005 Legislature to create a secure, safe, therapeutic environment for people with developmental disabilities who exhibit high-risk behaviors. The facility will house 12 residents in three home-style dwellings. The division is researching Medicaid eligibility for this unit.

Direct Care Worker Wage Increase

The legislature appropriated $4.3 million of general fund, state special revenue from I-149 funds, and federal special revenue to increase benchmarks for the base wage component of the standardized rate from the 25th percentile of direct care worker salaries to the 35th percentile. Depending upon the wages before legislative action, increases ranged from a few cents to $3.00 per hour. According to division staff and providers, the appropriation did not ease the high rate of turnover and number of vacancies that still exist in direct care worker positions throughout the state. The division is working to address this issue through the rate rebasing process as well as the development of a direct care worker training and skill development program. There is further discussion in the section on rate rebasing and wait list reduction.

Program Narrative

The Disability Services Division may be summarized into four major functions, as illustrated in Figure 50. The four major functions and the percentage of the proposed budget that each represents are: 1) vocational rehabilitation services, 13 percent; 2) institutional developmental disability services, 16 percent; 3) community developmental disability services, 68 percent; and 4) disability determination services, 3 percent.

The 2009 biennium budget requests nearly $100 million per year to support community services for developmentally disabled individuals, an increase of $22 million over the $78 million appropriated last biennium for community services. The most common developmental disabilities exhibited by individuals receiving state funded services include mental retardation, autism, cerebral palsy, and other types of brain or neurological damage. More than 70 percent of these individuals have a secondary diagnosis such as epilepsy, cerebral palsy, deafness, blindness, mental illness, chemical dependency, and other physical difficulties.

Figure 50
Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2006 Base Budget General Fund	State Special	Federal	Total Funds	Fiscal 2008 Request General Fund	State Special	Federal	Total Funds	Fiscal 2009 Request General Fund	State Special	Federal	Total Funds	Percent of Division Total
Vocational Rehabilitation													
Voc. Rehab. Administration	$815,556	$0	$3,017,998	$3,833,554	$904,631	$0	$3,138,120	$4,042,751	$906,219	$0	$3,156,543	$4,062,762	2.7%
Voc. Rehab. Benefits	1,644,659	0	6,040,584	7,685,243	1,870,109	0	6,200,545	8,070,654	1,881,572	0	6,242,897	8,124,469	5.5%
Visual Services Medical Benefits	84,002	0	0	84,002	84,002	0	0	84,002	84,002	0	0	84,002	0.1%
Independent Living - Admin.	14,340	0	129,223	143,563	16,059	0	144,538	160,597	16,175	0	145,578	161,753	0.1%
Independent Living - Benefits	13,793	0	53,158	66,951	8,369	0	60,256	68,625	8,369	0	60,256	68,625	0.0%
Sec. 110 Blind Low Vision Administration	207,809	0	550,446	758,255	259,602	0	636,710	896,312	260,566	0	640,089	900,655	0.6%
Sec. 110 Blind Low Vision Benefits	188,612	0	703,726	892,338	213,929	0	708,006	921,935	214,344	0	709,543	923,887	0.6%
In Service Training - Administration	7,115	0	68,130	75,245	7,135	0	68,329	75,464	7,138	0	68,358	75,496	0.1%
Supported Employment	0	0	291,453	291,453	0	0	291,453	291,453	0	0	291,453	291,453	0.2%
Independent Living Part B Benefits	361,548	0	200,045	561,593	375,588	0	200,045	575,633	375,588	0	200,045	575,633	0.4%
Independent Living Part B Administration	7,372	0	66,418	73,790	57,846	0	70,693	128,539	57,853	0	70,748	128,601	0.1%
MONTECH Grants	0	0	502,755	502,755	0	0	502,755	502,755	0	0	502,755	502,755	0.3%
Extended Employmeot Benefits	1,043,775	0	0	1,043,775	1,069,869	0	0	1,069,869	1,069,869	0	0	1,069,869	0.7%
Montana Telecommunications Access Prog.	0	931,196	0	931,196	0	2,017,953	0	2,017,953	0	954,133	0	954,133	1.0%
Social Security Benefits	0	0	183,144	183,144	0	0	183,144	183,144	0	0	183,144	183,144	0.1%
Subtotal Vocational Rehabilitation	$4,388,581	$931,196	$11,807,080	$17,126,857	$4,867,139	$2,017,953	$12,204,594	$19,089,686	$4,881,695	$954,133	$12,271,409	$18,107,237	12.6%
Percent of Total	25.6%	5.4%	68.9%	100.0%	25.5%	10.6%	63.9%	100.0%	27.0%	5.3%	67.8%	100.0%	
Institutions													
Montana Development Center	$12,743,486	$47,433	$0	$12,790,919	$13,276,275	$47,433	$0	$13,323,708	$13,381,715	$47,433	$0	$13,429,148	9.1%
Institutional Medicaid Benefits	0	0	8,343,836	8,343,836	0	0	8,343,836	8,343,836	0	0	8,343,836	8,343,836	5.6%
Montana Development Center Unit 104	1,301,531	0	0	1,301,531	1,422,503	0	0	1,422,503	1,437,672	0	0	1,437,672	1.0%
MDC Unit 16 AB	1,100,354	0	0	1,100,354	0	0	0	0	0	0	0	0	0.0%
Subtotal Institutions	$15,145,371	$47,433	$8,343,836	$23,536,640	$14,698,778	$47,433	$8,343,836	$23,090,047	$14,819,387	$47,433	$8,343,836	$23,210,656	15.7%
Percent of Total	64.3%	0.2%	35.5%	100.0%	63.7%	0.2%	36.1%	100.0%	63.8%	0.2%	35.9%	100.0%	
Developmental Disabilities - Community													
Administration	$1,339,979	$4,800	$1,689,827	$3,034,606	$1,522,233	$4,800	$1,915,619	$3,442,652	$1,528,359	$4,800	$1,923,208	$3,456,367	2.3%
Targeted Case Management Administration	606,797	0	930,947	1,537,744	647,751	0	994,359	1,642,110	651,247	0	999,297	1,650,544	1.1%
Targeted Case Management - Adults	460,669	0	1,115,943	1,576,612	1,058,787	0	2,315,298	3,374,085	1,082,258	0	2,342,608	3,424,866	2.3%
DD Medicaid Benefits	18,355,282	0	44,482,013	62,837,295	21,004,110	2,683,826	51,467,919	75,155,855	21,816,064	3,151,587	53,712,348	78,679,999	52.1%
TCM 50/50, PASAAR 2; Rate Project	158,221	0	369,771	527,992	182,699	0	383,216	565,915	182,916	0	383,432	566,348	0.4%
DD General Fund, Title XX	2,607,349	474,999	3,920,766	7,003,114	4,084,076	0	4,860,808	8,944,884	4,245,935	0	4,860,808	9,106,743	6.1%
DD Part C and General Fund Moe	$3,522,723		$2,252,750	$5,775,473	$3,778,339		$2,252,750	$6,031,089	$3,845,316	$0	$2,252,750	$6,098,066	4.1%
Subtotal Developmental Disabilities-Comm.	$27,051,020	$479,799	$54,762,017	$82,292,836	$32,277,995	$2,688,626	$64,189,969	$99,156,590	$33,352,095	$3,156,387	$66,474,451	$102,982,933	68.4%
Percent of Total	32.9%	0.6%	66.5%	100.0%	32.6%	2.7%	64.7%	100.0%	32.4%	3.1%	64.5%	100.0%	
Other													
Disability Determination Services	$0	$0	$4,611,383	$4,611,383	$0	$0	$4,852,883	$4,852,883	$0	$0	$4,944,442	$4,944,442	3.3%
Subtotal Other	$0	$0	$4,611,383	$4,611,383	$0	$0	$4,852,883	$4,852,883	$0	$0	$4,944,442	$4,944,442	3.3%
Percent of Total	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	
Total Disability Services Division	$46,584,972	$1,458,428	$79,524,316	$127,567,716	$51,843,912	$4,754,012	$89,591,282	$146,189,206	$53,053,177	$4,157,953	$92,034,138	$149,245,268	100.0%
Percent of Total	36.5%	1.1%	62.3%	100.0%	35.5%	3.3%	61.3%	100.0%	35.5%	2.8%	61.7%	100.0%	

Biennial Comparison

The increase of nearly $35 million in benefits and claims is due primarily to the Governor's request for funding to address provider rates, annualize cost plan expenditures for clients that have moved from MDC into the community, move more individuals off of the waiting list for community services, and increase tuition for vocational rehabilitation clients. About 50 percent of the increase in personal services is due to the implementation of the pay plan approved by the 2005 Legislature, about 20 percent is due to class upgrades and salary adjustments to market, and the balance of the increase is for benefits, longevity, and health insurance.

Figure 51
2007 Biennium Compared to 2009 Biennium
Disability Services Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	492.92	493.92		1	0.2%
Personal Services	$43,879,382	$45,769,128	15.5%	$1,889,746	4.3%
Operating	17,383,154	18,319,760	6.2%	936,606	5.4%
Equipment	138,753	30,000	0.0%	(108,753)	-78.4%
Benefits&Claims	196,580,429	231,315,586	78.3%	34,735,157	17.7%
Debt Service	10,688	0	0.0%	(10,688)	-100.0%
Total Costs	$257,992,406	$295,434,474	100.0%	$37,442,068	-151.0%
General Fund	$92,562,703	$104,897,089	35.5%	$12,334,386	13.3%
State Special	3,851,650	8,911,965	3.0%	5,060,315	131.4%
Federal Funds	161,578,053	181,625,420	61.5%	20,047,367	12.4%
Total Funds	$257,992,406	$295,434,474	100.0%	$37,442,068	14.5%

The increases in benefits are illustrated in Figure 52. Medicaid benefits provided to developmentally disabled individuals living in the community comprise 67 percent of the benefits provided by the division and the largest share of the Governor's proposals - 83 percent in FY 2008 and 90 percent in FY 2009. The increases in Medicaid benefits are primarily driven by the Governor's request of $18 million to address the rate rebasing for providers, $11 million to reduce the waiting list, and $5 million to annualize cost plans for clients moving into the community.

The General Fund / Title XX line is nearly 8 percent of the benefits and claims total, representing various non-Medicaid benefits. The increase is related to the FMAP change, rate rebasing, and annualization of client cost plans.

Medicaid reimbursement for services provided to developmentally disabled individuals residing at MDC comprise 7 percent of the benefits provided by the division, but are not predicted to increase because clients are moving from MDC into the community.

Figure 52
Disability Services Division
Summary of Benefits Costs with Funding

Description	Fiscal 2006 - Base Budget General Fund	State Spec. Rev	Federal Funds	Total Funds	Fiscal 2008 Request General Fund	State Spec. Rev	Federal Funds	Total Funds	Fiscal 2009 Request General Fund	State Spec. Rev	Federal Funds	Total Funds	Percent Total
Benefits and Claims													
Voc. Rehab. Benefits	$1,643,054	$0	$6,034,951	$7,678,005	$1,870,109	$0	$6,200,807	$8,070,916	$1,881,572	$0	$6,243,159	$8,124,731	6.9%
Visual Services Medical Benefits	84,002	0	0	84,002	84,002	0	0	84,002	84,002	0	0	84,002	0.1%
Independent Living - Benefits	13,793	0	53,158	66,951	8,369	0	60,256	68,625	8,369	0	60,256	68,625	0.1%
Sec. 110 Blind Low Vision Benefits	188,586	0	703,726	892,312	213,903	0	708,006	921,909	214,318	0	709,543	923,861	0.8%
Supported Employment	0	0	291,453	291,453	0	0	291,453	291,453	0	0	291,453	291,453	0.2%
Independent Living Part B Benefits	361,548	0	200,045	561,593	375,588	0	200,045	575,633	375,588	0	200,045	575,633	0.5%
MONTECH Grants	0	0	502,755	502,755	0	0	502,755	502,755	0	0	502,755	502,755	0.4%
Extended Employment Benefits	1,043,775	0	0	1,043,775	1,069,869	0	0	1,069,869	1,069,869	0	0	1,069,869	0.9%
Social Security Benefits	0	0	183,144	183,144	0	0	183,144	183,144	0	0	183,144	183,144	0.2%
MDC Medicaid	0	0	8,343,836	8,343,836	0	0	8,343,836	8,343,836	0	0	8,343,836	8,343,836	7.1%
Medicaid Benefits	18,355,282	0	44,482,013	62,837,295	21,004,110	2,683,826	51,467,919	75,155,855	21,816,064	3,151,587	53,712,348	78,679,999	66.9%
Part C and General Fund Benefits	3,474,306	0	2,221,788	5,696,094	3,727,413	0	2,222,386	5,949,799	3,793,968	0	2,222,668	6,016,636	5.1%
General Fund, Title XX, Other Benefits	2,607,349	474,999	3,920,766	7,003,114	4,084,076	0	4,860,808	8,944,884	4,245,935	0	4,860,808	9,106,743	7.7%
DD Targeted Case Management Adult	460,669	0	1,115,943	1,576,612	1,058,787	0	2,315,298	3,374,085	1,082,258	0	2,342,608	3,424,866	2.9%
PASAAR Benefits	0	0	111,659	111,659	0	0	138,364	138,364	0	0	138,364	138,364	0.1%
Disability Determination Services	0	0	42,622	42,622	0	0	50,584	50,584	0	0	55,356	55,356	0.0%
Total Benefits and Grants	$ 28,232,364	$474,999	$68,207,859	$96,915,222	$33,496,226	$2,683,826	$77,545,661	$113,725,713	$34,571,943	$3,151,587	$79,866,343	$117,589,873	100.0%

Changes in Service Provision

The growth shown in the benefits chart reflects the fact that the developmental disability (DD) service system has undergone significant system change and evolution. The following discussion addresses the provision of services to Montana's developmentally disabled population in community settings, the method of allocating resources among providers and clients, and the changing complexion of MDC. The three major issues discussed are: 1) rebasing and other factors impacting providers; 2) the changing institutional population; and 3) reduction of the waiting list.

The Governor proposes a total of $29 million to go into the system for social benefits to clients.

- $18 million to address provider rates
- $11.4 million total funds to reduce the waiting list

Rate Rebasing

Under federal mandate, the division undertook a project to rebase provider rates. The division was required to change its system from a provider contract to a formula-based system with an established price structure for services selected by the consumer rather than governed by the provider's contract with the state. Additionally, the division was federally required to implement consumer choice among providers and the portability of services from location to location. Changes undertaken were designed to ultimately stabilize and improve service to clients and providers through:

- Resource allocation changes - Available funding is allocated among clients via a cost allocation tool (commonly called the MONA) that ties services to a cost thereby allowing clients to select services based upon need and interest while understanding what services would cost. The cost allocation plans allow clients to relocate without service interruption because service rates are uniform throughout the state.
- Statewide published provider rates and method of billing - The fees that providers are reimbursed are based upon a published fee schedule and uniform statewide, which allows providers to bill for the services provided to each individual rather than billing each month for 1/12 of a contracted amount

Throughout the pilot phases, the division has gathered detailed data from providers on all aspects of their costs and the application of those costs to conducting business under the standardized rate and billing structure. This data and the pilot testing of the new standardized rate system shows that not all providers have been historically paid the same for providing similar services to similar clients. While the division is working on a process to correct this, there are still problems in terms of reductions to the providers that historically have been compensated more than the average.

Adult Provider Rates

Figure 53 summarizes the benchmarks for rates for selected services within the DD system and incorporates the executive budget. The proposed rates for the DD system are comprised of four factors:

- Direct care wage rate
- Employee benefits
- Program related costs
- General and administrative costs

Figure 53
Published Rates Benchmarks as of April, 2006

Component	Individual Supported Employment	Group Home (Regular / Geo 1 - 6 sites)	Day Activity Programs (No Geo)	Supported Living (More than 4 individuals)
Direct Care Wage	$16.00	$8.56	$8.56	$8.56
Employee Benefits	40.13%	40.13%	40.13%	40.13%
Program Related	27.70%	25.00%	27.70%	25.00%
General & Admin	7.00%	7.00%	7.00%	12.00%
Base Hourly Rate	33.34	17.19	17.84	18.17

Selected Proposed Capitated Rates

Service	Hourly Rate	Mean Hrs. /Day	Days / Month	Hours/ Month	Per Member per Month
Supported Employment Tier #1	$33.34	1.00	21.00	21.00	$700.14
Supported Living Base - 30 hrs./ mo.	18.17	1.00	30.45	30.50	553.28

The benchmarks shown in Figure 53 do not mean providers are required to pay costs at that rate. It simply means the reimbursement rate is adequate to pay costs at the specified level. Providers maintain freedom to establish employee wages, benefits, and other costs at the level the provider wishes.

In arriving at the direct care wage rate that would be assumed as part of the reimbursement rate calculation, a number of data sources of wage and salary information for comparable job duties were evaluated to arrive at a benchmark, which was ultimately set at the 35th percentile for comparable jobs. A benchmark set at the 35th percentile means that if three individuals applied for the position, one of the three individuals would accept the position at the wage rate offered. Employee benefits include both mandated (social security, Medicare tax, workers compensation, and unemployment) and non-mandated (health insurance,

retirement, paid time off, etc), and were benchmarked at 40.13 percent of wages. Program related costs were benchmarked at varying rates depending upon the service and geographic remoteness. A geographical factor increases reimbursement rates for some services provided in areas ranking highest in several factors related to costs of housing, labor, etc.

Child Provider Rates

Following the same process as the adult provider rate project, the initial child provider rates have been established for children who are enrolled in home and community-based waiver services. The rates are based upon data gathered in studies of all providers as well as through a resource allocation tool that was completed by the families showing the amount of services they would choose. The chart below shows the initial amounts that will be tested by families in Regions I and II. As was done in the Adult Provider Rate Pilot, should the initial Children's Rate Pilot indicate a need, these rates will be adjusted.

Figure 54
Child Provider Rates as of November 2006

Service	Rate
Family Support Specialist	$483.22 per month
Family Education and Training	$36.67 per hour
Residential Habilitation (non-facility direct care)	$18.17 per hour
Residential Habilitation (individual training materials)	$1,000 per year
Respite Care (direct care)	$12.96 per hour
Respite Care (individual care items)	$1,000 per year
Day Habilitation	$17.84 per hour
Therapies	State Medicaid Plan

Ultimately, providers in the adult and children programs will invoice based upon the service and volume of service units provided to a specific client, and will be reimbursed according to a uniform, published fee schedule.
There is further discussion in the new proposal section.

Other Factors Impacting Providers

In the discussion of rate rebasing requests, the legislature may wish to discuss direct care worker salaries and vacancies in the context of the potential impact to the clients as well as the health and safety of present staff, and the financial health of the provider.

There is a diminishing labor market for direct care workers throughout the state. This situation could impact present and future service delivery and the ability of providers to serve the clients they have as well as accept new clients from the waiting lists.

The lack of direct care workers is also a budget issue for providers because in the new rate system they can only invoice for direct care services provided when the direct care staff are present to provide the service. High vacancies can possibly mean less revenue if a substitute worker is not available. An acute situation could potentially lead to cuts in costs at the provider level, which could impact service to clients.

Providers and the division acknowledge that the shortage of workers is not only wage based, but also related to the type of work involved, and the perception that there is no career ladder with these jobs.

The Governor addresses this issue by requesting funds for direct care employees' on-line certification tuition through the College of Direct Supports to address workers' immediate needs and career advancement.

Institutional Population

The population currently being committed to MDC is defined as a population that is a danger to themselves and others. Individuals arrive at MDC by a civil commitment, a criminal commitment, or by a court referral for short term evaluation of their fitness to proceed in criminal cases. Civil commitments are for no longer than one year. In criminal cases, if an individual is capable to stand trial and found guilty, but placement to the correction system is determined inappropriate, the individual can be committed to MDC as a criminal to serve a criminal sentence. The state must take an individual for an emergency civil commitment or for a criminal sentence.

It is a goal of the division and MDC to move individuals into the community; however the MDC population is difficult to serve due to behavioral issues, criminal commitments, and the severity of medical issues.

As the legislature considers proposals related to MDC, it may wish to discuss the division's plan for the future of MDC.

- What are the short and long term needs and plans for the facility and the related costs?
- What is the present and future role of MDC when one of its clients moves into a community?

There is further discussion and the Governor's proposals in present law and new proposal sections that follow.

LFD ISSUE

Institutional Reimbursement

The wait list reductions discussed with the 2005 legislative initiatives reduces MDC's federal revenue from institutional reimbursement as the Medicaid eligible population transition into the community. The average daily population at MDC in FY 2006 was 78, but with the closure of Unit 16 AB, the maximum population for 2009 biennium is 68 per year, not all of which could be Medicaid eligible. The main reasons are: 1) a criminally committed individual has usually not been diagnosed under SSI and arrives at MDC Medicaid ineligible; 2) the secured units are not presently Medicaid eligible so reimbursements are lowered if clients are transferred to a secured unit for a period of time; and 3) there are some residents that can't meet the level of active medical treatment required by Medicaid. Figure 55 summarized the MDC client costs as recorded in MBARS.

Figure 55
Montana Developmental Center Expenditures

	Actual FY 2004	Actual FY 2006	Requested FY 2008	Requested FY 2009
FTE	327.26	268.80	268.80	268.80
Personal Services	$13,782,326	$12,332,832	$11,842,717	$11,963,777
All other	2,516,110	2,859,972	2,903,494	2,903,043
Total	$16,298,436	$15,192,804	$14,746,211	$14,866,820
General Fund	$16,249,031	$15,145,371	$14,698,778	$14,819,387
State Special Rev.	49,405	47,433	47,433	47,433
Federal Special	0	0	0	0
	$16,298,436	$15,192,804	$14,746,211	$14,866,820
Population	84	78	68	68
Cost Per Person	$194,029	$194,780	$216,856	$218,630
Cost Per Day	$532	$534	$594	$599
Federal Reimbursements	$13,694,871	$8,343,836	$8,343,836	$8,343,836

The division used the same federal reimbursement amount for FY 2006 through FY 2008 even though the population will decrease. LFD estimates show a decline to $8.0 million in FY 2008 and $8.1 million in FY 2009, which could have an impact of slightly more than $0.5 million on the general fund.

Pending Litigation

There is pending litigation that was filed in September, 2002 by the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities. Defendants in the MAIDS lawsuit include the Department of Public Health and Human Services and key department and state personnel. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleges that the disparity in wages and benefits paid to employees of community based providers, versus the wages and benefits paid to employees of state institutions, has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs allege that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between employees of state run institutions and community providers eliminated; and 2) to have uniform Medicaid reimbursement rates established. The court is schedule to hear this lawsuit in April of 2007.

A finding in favor of the plaintiffs and requiring the state to reimburse contractors at a level that provides direct care wage rates that are comparable to state employees would likely have a financial impact on the DD system that would be measured in terms of millions of dollars. The potential for similarly situated employee groups of contractors to file similar legal actions exist. The probability and magnitude of such action is currently unknown. Furthermore, how such a finding might impact the definition of employee, employer relationships, and other aspects of labor relations and compensation has not been studied.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table
Disability Services Divi

Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	$46,584,972	36.5%	$51,843,912	35.5%	$53,053,177	35.5%
	01100 General Fund	46,584,972	36.5%	51,843,912	35.5%	53,053,177	35.5%
02000	Total State Special Funds	1,458,428	1.1%	4,754,012	3.3%	4,157,953	2.8%
	02035 Mdc Vocational	47,433	0.0%	47,433	0.0%	47,433	0.0%
	02159 Handicapped Telecommunications	931,196	0.7%	2,017,953	1.4%	954,133	0.6%
	02475 Ddp Training Fund	4,800	0.0%	4,800	0.0%	4,800	0.0%
	02761 Medicaid Pilot Program Dd	-	-	16,000	0.0%	16,000	0.0%
	02772 Tobacco Hlth & Medicd Initiative	474,999	0.4%	2,667,826	1.8%	3,135,587	2.1%
03000	Total Federal Special Funds	79,524,316	62.3%	89,591,282	61.3%	92,034,138	61.7%
	03024 Soc Sec - Trust Funds	183,144	0.1%	183,144	0.1%	183,144	0.1%
	03554 84.169 - Independent Living 90	266,463	0.2%	270,738	0.2%	270,793	0.2%
	03555 84.177 - Indep Living Old Blin	182,381	0.1%	204,794	0.1%	205,834	0.1%
	03556 84.181 - Part H - Early Interv	1,651,181	1.3%	1,651,181	1.1%	1,651,181	1.1%
	03557 84.187 - Vic Sup Employment	291,302	0.2%	291,453	0.2%	291,453	0.2%
	03558 84.224 - Mon Tech 100%	502,755	0.4%	502,755	0.3%	502,755	0.3%
	03559 84.265 - In Service Training 9	64,188	0.1%	68,329	0.0%	68,358	0.0%
	03579 93.667 - Ssbg - Benefits	4,462,376	3.5%	4,462,376	3.1%	4,462,376	3.0%
	03580 6901-93.778 - Med Adm 50%	369,998	0.3%	383,187	0.3%	383,403	0.3%
	03583 93.778 - Med Ben Fmap	54,001,494	42.3%	63,127,053	43.2%	65,398,792	43.8%
	03588 93.802 - Disabil Deter Adm 100	4,611,383	3.6%	4,852,883	3.3%	4,944,442	3.3%
	03599 03 Indirect Activity Prog 10	2,591,058	2.0%	2,880,262	2.0%	2,892,789	1.9%
	03604 84.126 - Rehab-Sec110 A 78.7%	10,316,847	8.1%	10,683,381	7.3%	10,749,072	7.2%
	03702 6901-Rural Transportatn Access	29,746	0.0%	29,746	0.0%	29,746	0.0%
Grand	Total	$127,567,716	100.0%	$146,189,206	100.0%	$149,245,268	100.0%

DSD is funded with a combination of general fund (35 percent), state special revenue (3 percent), and federal funds (62 percent). Most general fund support is used to draw down federal matching funds. The matching ratio for federal programs administered by the division varies. However, the most common ratios are:

- Medicaid services are funded at the federal medical assistance participation rate (FMAP), which is generally about 32 percent state funds and 68 percent federal funds
- Medicaid administrative costs are funded on a 50/50 ratio of state and federal funds
- Vocational Rehabilitation services are funded on a 21/79 ratio of state and federal funds
- Disability determination services are funded entirely with federal funds
- The Montana Developmental Center (MDC) is funded entirely with general fund. Medicaid reimbursements for services provided at MDC are first used to repay bond debt and the remaining balance is deposited in the general fund

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2009 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,013,428					1,184,453
Vacancy Savings					(928,857)					(935,725)
Inflation/Deflation					95,656					104,163
Fixed Costs					(152,703)					(167,622)
Total Statewide Present Law Adjustments					$27,524					$185,269
DP 10001 - Adjust I-149 Funding	0.00	(475,001)	475,001	0	0	0.00	(475,001)	475,001	0	0
DP 10002 - FMAP Adjustment	0.00	1,398,752	0	(1,398,752)	0	0.00	1,540,649	0	(1,540,649)	0
DP 10003 - Annualization of Community Services Cost Plans	0.00	695,174	0	1,671,368	2,366,542	0.00	701,609	0	1,664,933	2,366,542
DP 10004 - MDC Base Adjustments	0.00	439,448	0	0	439,448	0.00	449,601	0	0	449,601
DP 10005 - DSD Rent for non-state facilities	0.00	5,587	2,510	16,088	24,185	0.00	10,366	3,195	27,079	40,640
DP 10007 - Disability Determination Services Base Adjustments	0.00	0	0	157,521	157,521	0.00	0	0	238,241	238,241
DP 10008 - VR Tuition Increases	0.00	44,359	0	163,897	208,256	0.00	56,237	0	207,786	264,023
DP 10020 - Health Services Accounts	0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
Total Other Present Law Adjustments	**0.00**	**$2,108,319**	**$493,511**	**$610,122**	**$3,211,952**	**0.00**	**$2,283,461**	**$494,196**	**$597,390**	**$3,375,047**
Grand Total All Present Law Adjustments					$3,239,476					$3,560,316

LFD COMMENT

About 50 percent of the $1 million increase each year of the biennium is for the pay plan approved by the 2005 Legislature and 20 percent of the increase covers class upgrades and adjustment of salaries to market. The balance of the request covers full funding of vacant positions, benefits, longevity, and health insurance.

The division holds vacant positions open for 30 days per department policy. There are some positions that are labeled as 'continuous recruiting' positions and are open for long periods of time due to specific qualifications that make recruiting difficult, such as those needed to serve the visually or hearing impaired clients.

The reduction in fixed costs is primarily due to moving the data network service costs to program to the Technology Services Division, and the inflation figure relates to increases in fuel and utilities.

DP 10001 - Adjust I-149 Funding - The Governor proposes to move $475,000 of general fund to state special revenue for I-149 funds each year of the biennium. The 2005 Legislature appropriated $950,000 per year in the 2007 biennium to support increasing the direct care worker salary benchmark in the DD provider published rate schedule from the 25th to 35th percentile of comparable salaries. The FY 2006 appropriation comprised $450,000 of both general fund and state special revenue from revenue generated from the passage of I-149 tobacco taxes. To allow the I-149 fund to build fund balance, the 2005 Legislature appropriated general fund for the first half of FY 2006, and state special revenue for the second half. The $450,000 general fund is in the base and needs to be removed because the I-149 funds will be used for both years of the 2009 biennium.

LFD COMMENT This funding was appropriated specifically to increase direct care worker rates from the 25th to the 35th percentile. As shown in the 2005 Legislative Initiatives discussion, the division implemented the increase. As noted in the rate rebasing discussion, the division is using the 35th percentile into the 2009 biennium. This request does not include an increase. However, it is within national trend. According to the Code Commissioner, this appropriation falls within the language of trended traditional level included in 53-6-1201, MCA for uses of I-149 funds.

While this request may be suitable for I-149 funds, this legislature is not bound by past legislative action. Passage of this proposal would put the I-149 funds in the base. The next legislature may wish to examine other uses of the I-149 funds.

Additionally, as mentioned earlier, the original appropriation did not ease the high rate of turnover and number of vacancies that still exist in direct care worker positions throughout the state.

The legislature may wish to designate this appropriation as restricted to ensure the funds are used for direct care worker salaries, and allow the next legislature to assess whether the 35th percentile is an acceptable trend of increase at that time and the progress the division has made in recruiting, hiring, and retaining direct care workers.

The legislature may also wish to have the division develop a report that shows the continuation of the established benchmark for the base wage component of the standardized rate from the 25th to the 35th that was used to establish the 2009 biennium budget and show that the wages meet the an appropriate increase for the 2011 biennium. The benchmarks are:

- Wage data - $8.35 represented the 25th percentile and $8.56 represented the 35th percentile for in SFY 2002
- Wage and benefit data - $10.90 represented the 25th percentile and $11.17 represented the 35th percentile for SFY 2002

DP 10002 - FMAP Adjustment - The executive requests an increase in general fund of almost $2.9 million over the biennium, with an offsetting decrease in federal funds, due to the projected change in Federal Medical Assistance Percentage (FMAP) rates for FY 2008 and FY 2009, and maintain current activities. The projected FMAP rate for FY 2008 is 68.62 percent and 68.40 percent for FY 2009, as compared to the base year FMAP of 70.76 percent for FY 2006. Please refer to the agency narrative for a discussion of the federal Medicaid matching rates.

LFD COMMENT There is further discussion of the federal Medicaid matching rate in the agency summary.

DP 10003 - Annualization of Community Services Cost Plans - The Governor requests $4.7 million over the biennium, comprising $1.4 million general fund and $3.3 million federal funds to support annualized cost plans for 18 individuals in developmental disability community services, due to the closure of Unit 16 AB at MDC. About half of the funds appropriated for this purpose by the 2005 Legislature were expended in FY 2006 and FY 2007 because 16 AB clients could not be immediately placed in the community. The balance of the appropriation was reverted and is not in the base. This request is to support 18 clients with cost plans estimated at $100,000 in the 2009 biennium. The funding for this proposal is at the Medicaid program matching rate of approximately 32 percent state general fund to approximately 68 percent federal funds.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and clarity.

Justification and Goal: The Developmental Disabilities Program (DDP) expects to move 18 individuals from the Montana Developmental Center (MDC) unit 16 AB into community services by the summer of 2007.

Performance Criteria, Milestones: The individuals will be in community service settings and receive uninterrupted services. Staff will monitor program budgets monthly to insure that the program is operating within funding levels as appropriated.

Obstacles and risks: Shortages of providers who are willing and able to provide these services are an issue. If resources are not available to continue to provide these services, the program may have to reduce or cut services in other areas because the community services must be provided. Reducing or cutting services is not recommended because those in need of, but not receiving community services, are more likely to be committed to MDC.

LFD ISSUE

Waiting List

It is the goal of DDP to reduce the waiting list by 25 people each year. This request is based on 18 individuals with an estimated cost plan of $100,000 and about 8 individuals at cost plans of $75,000 or less. However, there is no plan illustrating the partnership of the division and the providers or clients and their families, and the division did not provide measurable goals. The legislature may wish to set measurements to the appropriation that would allow the next legislature to understand the effectiveness of the appropriation and assess amounts that need to be in the base to ensure quality services are provided, such as:

- The number of individuals moved into the community each year of the biennium, which community they entered, and the provider serving them
- The actual amount of the cost plans for each individual moved into the community and major services requested in the cost plans
- The number of individuals already in the community and the actual costs of their plans
- The number of crisis incidents and clients that had to be relocated to MDC or another community, and why
- The amount of the providers' billed amounts that went to delivery of services, administrative overhead, and the direct care wages

DP 10004 - MDC Base Adjustments - The Governor requests about $0.9 million general fund over the biennium to adjust for zero-based personal services funding. This request is to maintain minimum Montana Developmental Center (MDC) staffing requirements at this 24-hour day, 7-days-a-week facility and to maintain Medicaid certification. Projected overtime and differential pay is not funded in the next biennium through the stateside present law adjustments and is requested each biennium. The adjustments are for:

- Overtime costs of $211,000 each year of the biennium associated with providing a sufficient ratio of direct care staff around the clock and to a lesser degree, for essential support services such as food service and maintenance
- Differential pay of $2,900 each year is required by union contracts when an employee performs duties outside of and above his/her regular job classification. Non-union employees may also receive higher pay under agreed upon conditions on a temporary basis when assigned
- Costs associated with holidays worked of $148,000 for those employees scheduled to work
- An adjustment for an increase in the bed-tax payment ($46,424 in FY 2008 and $56,577 in FY 2009) and offsetting reduction of general fund base ($53,120) to reflect that the equipment items were purchased and this funding is no longer required for the stated purpose
- Benefits for the adjustments of $169,000

Figure 56

MDC Base Adjustments

	FY 2008	FY 2009
Overtime		
Unit 104	$31,629	$31,629
MDC Direct Care	179,229	179,229
Differential		
Unit 104	431	431
MDC Direct Care	2,439	2,439
Holidays Worked		
Unit 104	22,159	22,159
MDC Direct Care	125,568	125,568
Benefits		
Unit 104	12,703	12,703
MDC Direct Care	71,986	71,986
Taxes and Assessments	46,424	56,577
Autos and Trucks	(53,120)	(53,120)
Total	$439,448	$449,601

Source: MBARS

LFD ISSUE

MDC Base Adjustments

DPHHS has a supplemental request in HB 3, of which about $800,000 is due to cost overruns at MDC. A substantial portion of the MDC cost overrun was due to the complexity of the population at MDC, and other items including a federal mandate to investigate allegations of abuse or neglect requiring that employees be put on administrative leave during an investigation, a general shortage of nursing staff leading to overtime during vacancies and time off, and a need for relief staff to cover unanticipated days absent or vacation (especially if the employee works the night watch shift). This request addresses this issue.

The division developed the budget for the request with the assumption that MDC would close Unit 16 AB by the end of December, 2006 and the positions assigned to that unit would be reassigned to other units, thereby providing staff relief for time off, staff training, active treatment, and more residential activities at the base rate instead of at overtime rate. However, the contracted provider's attempt to purchase and convert property to a suitable home environment in Boulder did not materialize. It is now expected that six individuals in Unit 16 AB may reside at MDC until the summer of 2007, or beyond.

In its consideration of this request, the legislature may wish to ask division staff to provide a revised personal services budget projection that reflects the new projected closure date of unit 16 AB.

It is the goal of the division and MDC staff to downsize MDC and place as many individuals as possible into community service plans. However, the movement of individuals into the community is based upon the ability of the community to accept and care for the individual, and it may not be an instantaneous move. Additionally, individuals can arrive unannounced via the courts, or as children aging out of youth services. Because of the amount of uncertainties, the legislature, should it opt to approve this request, may wish to designate the appropriation as biennial.

<u>DP 10005 - DSD Rent for non-state facilities -</u> The executive budget contains a request for funding for rent increases for offices in non-Department of Administration buildings for the Developmental Disabilities and Vocational Rehabilitation programs. This decision package requests $15,953 of general fund, $5,705 of state special revenue, and $43,167 of federal funds over the biennium as related to increases that are built into the lease agreements for field offices. The increases are based on 2-3 percent increases for most sites and new leases for two locations. The division based its estimates on projections for existing leases and an assumption that the new lease in Kalispell would have about 350 more square feet, but the new lease rate is unknown. There is $546,000 in the base year for rent serving MTAP, DDP offices throughout the state, and Vocational Rehabilitation offices throughout the state.

<u>DP 10007 - Disability Determination Services Base Adjustments -</u> The Governor requests an increase of $395,762 in federal funds over the biennium to address the workload increase for Disability Determination Services that includes:

- An overtime request of approximately $22,816 each year to help process the workload in an electronic environment to meet SSA required productivity levels while addressing the number of pending cases. Estimates are for 800 hours of overtime each fiscal year (without associated benefits). This is a request at 100 percent federal funding and is done to ensure the authority is there in case there is a need for overtime.
- An increase in 'other services' for medical consultants to review all cases cleared through the DDS as mandated by federal law. During the FY 2006 base year, DDS cleared 9,464 cases, about 3,000 below the usual average of more than 12,000 because staff and consultants were learning to use a new system. This lower production reduced the base year expenditures below the historical average. Cases are now projected to return toward the historical average with estimates of 11,357 FY 2008 and 12,493 clearances in FY 2009. The increase results in the request for $120,446 in FY 2008 and $193,150 in FY 2009.
- A request to increase rent to about $16,000 over the biennium for the DDS office. Rent for FY 2006 is $156,000 for 15,370 square feet at $10.14 per square foot. The requested increase is for the same square footage at approximately $10.55 per square foot for FY 2008 and $10.76 per square foot for FY 2009.
- Reimbursement for required travel for disability claimants to consultative examinations that are reimbursed at state per diem rates. Projections are based on the increase in case clearances mentioned above, resulting in a request of $7,962 in FY 2008 and $12,734 for FY 2009.

DP 10008 - VR Tuition Increases - The executive requests just over $100,000 of general fund and $370,000 of federal funds over the biennium to provide for a 5 percent tuition increase each for FY 2008 through FY 2009 for non-state schools, and no increase for state schools. The funds, which are a portion of the Vocational Rehabilitation benefits, would offset increases in tuition costs and maintain current level services that assist individuals with disabilities to return to work. Tuition historically represents about 43 percent of all benefits and amounts to approximately $3.7 million in FY 2006.

LFD COMMENT

In the 2005 session, the legislature approved just under $1 million for tuition increases because no increases were granted in the previous session, and $3,717,707 was actually used for tuition in FY 2006. If approved, this appropriation would increase funds for tuition to $3.92 million in FY 2008 and $3.98 million in FY 2009. Funding for this appropriation is split 21.30 percent general fund and 78.70 percent federal funds.

While LFD staff did not request goals and measurements for this appropriation, the legislature may wish to visit with the division about the types of data available and reports that can be produced to show the success of the program, such as the number of individuals attending post secondary classes and the schools, and how that translates into the number graduating and/or becoming employed. This would allow this legislature and the 2009 subcommittee to have discussions about how to best assist those receiving education and are unable to find employment.

DP 10020 - Health Services Accounts - The executive budget contains a request to add $16,000 in state special revenue back into the budget each year of the biennium. The funding was appropriated in the 2005 Session via SB 433 for DSD to implement a Medicaid pilot program to create waiver services savings accounts for individuals with developmental disabilities.

LFD COMMENT

As of October, 2006, the pilot program had been mentioned to clients, but there were no savings accounts established. The base year funds of $16,000 were unused and carried forward. This request adds the authority back into the division's budget.

The pilot program was intended to have 50 individuals on Home and Community Service Based Waiver Services save a portion of their unexpended benefits for future use. The goal was to enroll the clients and track the program use and impact through 2011. The pilot period is July 1, 2005 through January 1, 2011.

The pilot is just starting in Region II (Great Falls, Choteau, Havre area). Case workers include the Healthcare Savings Plan in the Personal Support Planning (PSP) meeting with the clients. Initial discussion reveals that there is little money left over after clients have selected service, and little understanding of the culture of savings. Managers hope that clients become more familiar with the savings concept as they revisit their PSPs in FY 2007, identify the services they like best, and talk about funding them for the future.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10009 - Montana Youth Leadership Forum (MYLF)										
10	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 10010 - DD Wait List Reduction										
10	0.00	1,664,117	0	2,990,846	4,654,963	0.00	2,347,665	0	4,440,079	6,787,744
DP 10011 - DD Rate Rebasing										
10	0.00	1,582,172	1,717,826	4,869,677	8,169,675	0.00	1,814,413	2,185,587	5,840,515	9,840,515
DP 10016 - DD Crisis Funding - Restores OTO										
10	0.00	120,000	0	0	120,000	0.00	120,000	0	0	120,000
DP 10018 - MTAP new technologies (BIEN)										
10	0.00	0	1,065,000	0	1,065,000	0.00	0	0	0	0
DP 10021 - Developmental Disabilities Program - Fed Authority										
10	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 10026 - VR Transition Counselor										
10	1.00	55,283	0	0	55,283	1.00	51,884	0	0	51,884
DP 10501 - Provider Rate Increases										
10	0.00	267,093	0	0	267,093	0.00	267,093	0	0	267,093
Total	1.00	$3,738,665	$2,782,826	$8,860,523	$15,382,014	1.00	$4,651,055	$2,185,587	$11,280,594	$18,117,236

DP 10009 - Montana Youth Leadership Forum (MYLF) - The Governor requests $100,000 general fund over the biennium to support the Montana Youth Leadership Forum (MYLF) for youth with disabilities, including Indian students on Montana reservations. MYLF started in 2000 with a forum in Billings and is a career and leadership training program for high school sophomores, juniors, and seniors with disabilities. At 5 days intensive training, youth with disabilities cultivate leadership, citizenship, and social skills and work on goals, and do both a personal leadership plan and a resource plan. So far, 108 Montana youth have completed the program. The 2005 Legislature appropriated $50,000 per year for the summer of 2005 and the summer of 2006 to help fund the program.

DP 10010 - DD Wait List Reduction - This request is for $11.4 million total funds, comprising $4.0 million general fund and $7.4 million federal funds over the biennium to support community services for individuals currently on the developmental disability community services waiting list. At this time, there are approximately 500 individuals currently receiving no services that are on the waiting list for community services. Funding would provide services to move approximately 25 individuals off the waiting list.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification:

1. $6.2 million ($2.0 million general fund) over the biennium to support adult cost plans for an additional 25 individuals to transition into community services each year in the next biennium. The funding is for system capacity to address the waiting list for unmet needs of Montanans with developmental disabilities serving: 1) adults in Montana communities waiting for services; 2) adults at MCD that are waiting for service openings; and 3) children aging out of intensive Medicaid waiver services and foster care services. Once a child is in waiver services, DDP cannot exit them out of services when they leave school as the state is required to fully fund cost plans to meet health and safety needs of everybody in the waiver. However, funding that is available to them as children only partially funds young adult services.
2. $0.25 million ($81,000 general fund) over the biennium for additional contracted case managers to accommodate the anticipated need in communities as individuals come into community services
3. $0.2 million general fund for the biennium for grants to existing or new providers for start up costs associated with either system expansion or with transitions from institutional to community services
4. $392,800 general fund to provide opportunities to pilot projects identified by the transition task force team and Transition Solutions, which will enable state agencies and other groups to work together improving outcomes for youth transitioning from school to young adulthood. These projects might include development of a website to share

"best practices" across Montana, or the development of state standards to define disabled populations at the post-secondary school level to allow for better tracking of outcomes.

Goal, Performance Criteria and Milestones: Continue to provide high quality services to over 4,000 individuals currently in DDP community services while expanding community services and removing individuals off of the waiting list. Individuals already in DDP community services will continue to receive appropriate care as authorized by the program's rules. Staff will monitor program budgets monthly to insure that the program is operating within funding levels as appropriated.

Funding: This proposal utilized various funding ratios. The funding for the client benefits and case management activity is at the Medicaid program matching rate of approximately 32 percent state general fund to approximately 68 percent federal funds. The program grants are funded with only state general fund.

Obstacles and Risks: Shortages of providers who are willing and able to provide these services are an issue. If this increase in funding is not approved it is likely that expenditures will exceed the budgeted authority. DDP community services are not entitled services, but if community services aren't provided for those in need the program runs the risk of having individuals being committed to MDC, often at a greater cost than funding for community services.

LFD COMMENT

While these amounts tie to the DD goals of: 1) serving 4,150 Montanans with developmental disabilities during each year of the biennium; and 2) reducing the DD waiting list by at least 25 people each year of the biennium, an operating plan that ties the requests to accountability of providers is not included.

The legislature may wish to discuss with the division:

- The meaning of 'system capacity' and the operations plan to make it happen at the division and provider level
- How these requests address the quality of service in rural areas versus urban centers
- The projected budget increase and related infrastructure development that could impact the 2009 Legislature
- The plan the division and providers have to address the fact that this money is directed to the same group that is presently suing the state for increases

Additionally, the legislature may wish to consider designating these appropriations as one-time-only to allow the next legislature to assess the amount of the appropriation that should go in the base, and assess the financial impact, if any, of the pending MAIDS lawsuit.

There is further discussion in the program narrative.

DP 10011 - DD Rate Rebasing - This request is for $18 million total funds, $3.4 million general fund, $3.9 million in state special revenue funds, and $10.7 million federal funds over the biennium, to support adjustments of the developmental disability program provider rates.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The objective is to compensate DDP providers at a standardized rate allowing them to maintain and elevate the quality of care for our DDP clients statewide. Almost all revenue received by DDP providers is generated by serving DDP clients. While some DDP providers provide Vocational Rehabilitation services and/or may operate recycling operations, there is little alternative to increase revenues except from legislative increases. DDP providers are experiencing cost increases for personnel, utilities, insurance, gasoline, and general operations.

Case management services rates are also being rebased, which has followed a process similar to adult services rate rebasing. In addition to adjusting the employee wage benchmark based on reported case manager wage data, the program will reduce caseloads; case managers have assumed more duties as the program transitions to a standardized

rate system with individualized services and individualized budgets. Other services being addressed by this funding request are children's family education and support services (FESS) and DDP waiver transportation services, which are not currently in a standardized rate system.

Goals, Performance Criteria, and Milestones: The goal is to maintain or elevate quality care for DDP clients by upholding a strong provider financial and programmatic infrastructure that will facilitate community services for individuals with developmental disabilities and continue of the vision for community integration.

The program intends to perform a similar rebasing effort every two years in advance of each legislative session. The data received will be sufficient to gauge the level of success achieved by increasing the standardized rates. The program should be able to determine whether the increases have kept pace with inflation and whether staff turnover rates and vacancy periods have declined. The program should be able to determine if providers have made choices to adjust costs and thus bring their costs more in line with other providers, and in line with their revenues. Eventually, the standard deviation of the costs around the average should decline. Revised standardized rates will be effective July 1, 2007 that will reflect the increases coming from this budget request.

Funding: Funding is a mix of Medicaid program matching rate of approximately 32 percent state general fund to approximately 68 percent federal funds for Medicaid waiver services and state plan case management services; general fund for the increases to FESS services; general fund for increases to non-Medicaid services; and a small amount of Medicaid Admin at a 50 percent state general fund to a 50 percent federal fund match related to case management eligibility determination. There is also a continuation of I-149 funds.

Obstacles and Risks: Providers are experiencing increases in direct care staff turnover and extended periods of having those positions remain vacant for a lack of interest by the labor market. This poses a problem for providers in the new rate system because they can only invoice for direct care services provided when the direct care staff are present to provide the service and could possibly lead to the ruin of the provider organization and again negatively impact the quality of care for DDP clients.

LFD ISSUE

I-149 Funds

This funding continues an appropriation by the 2005 legislature of I-149 funds to increase direct care worker rates from the 25th to the 35th percentile. This request does not include a new increase. However, according to the Code Commissioner, this appropriation falls within the language of trended traditional level included in 53-6-1201, MCA, and is appropriate for funding with I-149 funds.

While this request may be suitable for I-149 funds, the 2011 biennium request may not be. Passage of this proposal would put the I-149 funds in the base. It should be noted that the next legislature may wish to examine other uses of the I-149 funds.

If the legislature has concerns about the increase and funding and the impact on this and future legislatures, it could designate this appropriation as one-time-only and allow the next legislature to assess the results of this appropriation in the context of the amount requested next session.

<u>DP 10016 - DD Crisis Funding - Restores OTO -</u> The executive requests $240,000 of general fund to support services for individuals in crisis in the community setting. The Travis D settlement includes funding for $200,000 per year to support crisis situations. $80,000 of this amount is in the division's base budget for each year of the biennium. This decision package requests $120,000 general fund per year, to annualize the one-time-only funds provided by the 2005 Legislature.

<u>DP 10018 - MTAP new technologies (BIEN) -</u> Restricted– The Governor requests a restricted biennial appropriation of $1 million of state special revenue authority in the event that the federal government mandates that the states pay for new technologies. The division predicts that the federal mandate will come with advance notice of at least 18 months. This proposal requests use of the handicapped telecommunications state special revenue account fund balance. This appropriation would be a contingency, accessed only if the FCC ruled that the states would now be required to pay for

VRS and IP Relay. The projected fund balance at the end of SFY 2009 without this mandate is about $650,000. The requested amount for this appropriation, if accessed, would leave a projected fund balance at the end of SFY 2009 of $200,000.

DP 10021 - Developmental Disabilities Program - Fed Authority - The executive requests $2 million of additional federal Medicaid authority for the biennium to provide appropriation authority for increases in federal grants or to maximize general fund under the Home and Community Based Waiver, which funds services to individuals with developmental disabilities. The federal authority would not require any future commitment of general fund dollars.

DP 10026 - VR Transition Counselor - The Governor requests support for 1.00 FTE for a vocational rehabilitation counselor to be located in a local school district to assist in identifying students and coordinating available services. This request is part of the initiative to improve outcomes for young adults with disabilities. This is a budget request for $107,167 general fund over the biennium.

LFD COMMENT

Division staff has had a historical concern to help youth transition more easily into adult life. However, this request is for a program that is not in place and no goals and objectives have been provided. There is no guarantee that the position can be filled at the start of the biennium, and no information has been provided to indicate 'buy-in' by community stakeholders. The legislature may wish to consider requesting measurements that might include the number of youth initially counseled, their age, disability, location and goals for transition.

DP 10501 - Provider Rate Increases - This decision package requests increases for provider rates by 2.5 percent for the biennium. Total funds requested are $534,186, all of which is general fund. The executive provided this request for most Medicaid providers. In the DDP the request is focused in the Vocational Rehabilitation and Low Vision services. The benefits in this increase are not included in the rate rebasing or waiting list reduction requests that were discussed earlier.

LFD COMMENT

LFD staff and the division discovered errors in the calculation of this request. The total request is $331,817. The recalculation of the request is shown in Figure 57.

The division did not provide goals or direction on what will be achieved with the funds. The legislature may wish to request that program staff provide an overview to the committee.

There is further discussion of provider rate increases in the agency overview.

Figure 57
Proposed 2.5 percent increase for DDP

	FY 2008 Benefit	FY 2008 2.5 %	FY 2009 2.5 %
Voc. Rehab and Low Vision Benefits			
Extended Employment Benefits	$1,043,775	$26,094	$26,094
Independent Living CHPT 2 Benefits	66,915	1,674	1,674
Independent Living Part B Benefits	561,593	14,040	14,040
SEC 110 Blind / Low Vision Benefits	762,192	19,055	19,055
SEC 110-Voc. Rehab Benefits	4,090,156	102,254	102,254
PASAAR	111,659	2,792	2,791
Total	$6,636,290	$165,909	$165,908
Funding			
General Fund		$163,993	$163,999
Federal PASAAR		1,916	1,909
Total Funding		$165,909	$165,908

Language

The executive proposes language to make the appropriation for MTAP (DP 10018) contingent upon passage of federal regulation requiring that the states pay for new technologies.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	81.00	0.00	6.00	87.00	0.00	6.00	87.00	87.00
Personal Services	3,258,627	886,028	256,970	4,401,625	897,046	257,260	4,412,933	8,814,558
Operating Expenses	8,525,672	281,821	1,005,061	9,812,554	291,642	1,035,774	9,853,088	19,665,642
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	444,205,071	69,863,702	18,418,352	532,487,125	105,771,479	19,582,305	569,558,855	1,102,045,980
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	**$456,180,930**	**$71,031,551**	**$19,680,383**	**$546,892,864**	**$106,960,167**	**$20,875,339**	**$584,016,436**	**$1,130,909,300**
General Fund	99,892,880	25,569,957	948,297	126,411,134	35,342,560	947,669	136,183,109	262,594,243
State/Other Special	23,744,825	12,233,491	4,939,007	40,917,323	12,078,951	5,374,309	41,198,085	82,115,408
Federal Special	332,543,225	33,228,103	13,793,079	379,564,407	59,538,656	14,553,361	406,635,242	786,199,649
Total Funds	**$456,180,930**	**$71,031,551**	**$19,680,383**	**$546,892,864**	**$106,960,167**	**$20,875,339**	**$584,016,436**	**$1,130,909,300**

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, children's mental health services, and the Children's Health Insurance Program (CHIP). The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of division services are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses medical services for the aged, blind, disabled, children, and low-income families. The Children's Mental Health Bureau is predominately financed through Medicaid. A small federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant provides regional infrastructure and very limited services for children below 150 percent of the federal poverty level.

The division administers CHIP as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. CHIP dental and eyeglasses benefits are reimbursed directly by the department.

The division also administers Big Sky Rx, a program to help Medicare eligible persons with incomes below 200 percent of the federal poverty level pay Part D pharmacy premiums. Big Sky Rx is funded from tobacco revenue and the program was initiated in response to a citizen passed initiative (I-149) in November 2004.

Program Highlights

Health Resources Division
Major Budget Highlights

- The executive budget increases $138.2 million compared to the 2007 biennium, with a net increase of $57.8 million general fund and $17.7 million state special revenue
- Compared to base budget expenditures, the 2009 biennium executive budget increases $218.5 million total funds, including $62.8 million general fund, due largely to:

  - Medicaid service and eligibility increases - $103.5 million, including $27.4 million general fund
  - CHIP increases for HRD administration (including 5.00 new FTE) and enrollment growth from 12,019 to 13,900 - $17.8 million total funds, including $5.2 million state special revenue
  - Big Sky Rx funding growth of $16.6 million in health and Medicaid initiatives account state special revenue
  - Annualization of Medicaid eligibility expansions for children approved by the 2005 Legislature and provider rate increases- $15.1 million total funds, including $5.1 million state special revenue
  - Service expansions and access initiatives - $11.9 million total funds, including $2.6 million general fund
  - Provider rate increases - $10.3 million total funds, including $3.2 health and Medicaid initiatives state special revenue
- In addition to service and eligibility caseload growth and expansions, general fund rises due to
  - Reductions in the federal Medicaid match rate which increases general fund by $13.4 million and reduces federal funds by a like amount in order to continue FY 2006 level of services
  - Payment of the clawback for assumption of some Medicaid drug costs by Medicare Part D prescription coverage - $15.6 million
  - Some offset due to elimination of general fund support for CHIP and shifting costs from partial year funding of FY 2006 provider rate increases to health and Medicaid initiatives account funds
- Funding for personal services rises $2.5 million, partially due to the request for 6.00 new FTE, vacancies during FY 2006, and movement to pay plan 20 and upgrades of some positions

Major LFD Issues

- Issues related to the CHIP include:
  - DPHHS administration appears to cost more than experience under a fully insured product
  - Enrollment challenges over the 2005 biennium indicate that budgeted enrollment of 13,900 annually could be difficult to achieve without changes in outreach or eligibility levels
  - Expected increases in claims costs could be overstated, allowing more children to be enrolled than 13,900 anticipated in the executive budget
  - Executive budget uses about $3.0 million more health and Medicaid initiatives account funds than allowed by statute
- LFD estimate of 2009 biennium cost for Big Sky Rx is at least $8.4 million state special revenue lower than the executive request
- Funding included in the executive budget does not support a 2.5 percent provider rate increase for all providers and the FY 2009 funding is not adequate to continue the first year provider rate increase
- LFD estimates of the Medicare buy-in benefit is $1.5 million, including $0.5 million general fund, lower than the executive budget request over the biennium
- HRD has not implemented a pharmacy discount program anticipated by the 2005 Legislature to begin in FY 2009
- The legislature would need to pass legislation to continue the hospital bed utilization fee that is included in the executive budget request but not in the executive bill draft requests
- Federal changes may require the state to "unbundled" Medicaid rates for children's mental health services similar to the change required in the developmental disability system and the potential impacts are unknown

Program Narrative

The HRD budget is driven by changes in benefits and services costs, rising to 98.3 percent of the FY 2009 budget request from 97.4 percent of FY 2006 base expenditures. Services costs grow due to:

- Growth in Medicaid eligibility, service utilization, and provider rate increases
- Increases in the request for Big Sky Rx
- Health care cost inflation and an increase in CHIP enrollment

Funding for personal services and operating costs increase partly due to HRD assumption of CHIP administration, including 5.00 new FTE. Fully funding present level FTE costs also contributes to personal services growth since some positions were vacant part or all of FY 2006.

Present law adjustments at $156.1 million are greater than new proposals at $94.2 million, again largely due to Medicaid caseload costs, CHIP enrollment funding, and Big Sky Rx increases. New proposals include provider rate increases, some benefit cost increases for CHIP self administration, and implementation of a family planning waiver.

General fund increases are due almost entirely to present law changes, contributing $62.3 million of the total change. New proposals add $1.5 million general fund. State special revenue increases are driven by annualization of 2007 biennium provider rate increases and expanding Medicaid eligibility for children authorized by the 2005 Legislature, requests for 2009 biennium provider rate increases, and Big Sky Rx funding requests. Federal funds grow primarily due to Medicaid cost increases and, to a much lesser extent, federal CHIP grant funding.

Summary of Division Budget by Function

Figure 58 shows the main functions and services administered by HRD. The largest function is Medicaid services, which accounts for 80 percent of the FY 2009 budget request. Children's Mental Health is the next largest component at 13 percent followed by CHIP with 5.1 percent. Big Sky Rx accounts for 1.5 percent and division administration is less than 0.1 percent of the total.

Figure 58

Fiscal 2006 Base Budget Compared to 2009 Biennium Executive Budget Request - Health Resources Division

	FY 2006 Base Budget				FY 2008 Executive Budget Request				FY 2009 Executive Budget Request				% of
Major Function and Services	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Total
Major Fuaction													
Medicaid Services	$82,508,747	$17,568,050	$272,940,824	$373,017,621	$104,730,162	$23,340,678	$306,406,659	$434,477,499	$112,948,794	$23,764,387	$330,174,802	$466,887,983	79.9%
Children's Health Resources	218,782	3,993,350	16,423,596	20,635,728	0	6,472,522	23,041,940	29,514,462	0	6,526,420	22,991,535	29,517,955	5.1%
Children's Mental Health	17,165,351	1,252,354	43,178,805	61,596,510	21,680,686	2,332,379	50,093,779	74,106,844	23,234,007	2,135,534	53,446,853	78,816,394	13.5%
Prescription Drug Program	0	931,071	0	931,071	0	8,750,000	0	8,750,000	0	8,750,000	0	8,750,000	1.5%
Health Insurance Premium Assistance Program	0	0	0	0	286	43,773	0	44,059	308	43,796	0	44,104	0.0%
Total Division Budget*	$99,892,880	$23,744,825	$332,543,225	$456,180,930	$126,411,134	$40,939,352	$379,542,378	$546,892,864	$136,183,109	$41,220,137	$406,613,190	$584,016,436	100.0%
Percent of Total	22%	5%	73%	100%	23%	7%	69%	100%	23%	7%	70%	100%	
Compounded Annual Rate of Change					12%	31%	7%	9%	8%	1%	7%	7%	
Benefits													
Medicaid Services													
Hospital Services	$37,797,005	$861,469	$91,676,318	$130,334,792	$45,231,393	$1,553,380	$100,932,946	$147,717,719	$46,855,964	$1,554,659	$104,001,391	$152,412,014	26.8%
Hospital Utilization Fee	0	11,111,200	26,605,026	37,716,226	0	12,617,449	27,578,310	40,195,759	0	13,037,374	28,364,257	41,401,631	7.3%
Children's Mental Health Srvs	15,247,280	1,252,354	38,215,408	54,715,042	19,565,767	2,332,379	45,065,477	66,963,623	21,117,835	2,135,534	48,417,023	71,670,392	12.6%
Children's MH Targeted Case Mng	1,374,015	0	3,328,432	4,702,447	1,374,015	0	3,328,432	4,702,447	1,374,015	0	3,328,432	4,702,447	0.8%
Managed Care Services	12,434,750	2,539,471	37,003,780	51,978,001	15,284,990	5,133,020	47,156,479	67,574,489	16,621,117	5,134,353	49,959,700	71,715,170	12.6%
Pharmacy Services	13,919,401	0	34,067,100	47,986,501	15,614,591	46,781	34,596,372	50,257,744	17,104,267	46,930	37,671,033	54,822,230	9.6%
Acute Services	10,211,595	3,043,658	19,607,087	32,862,340	11,548,849	3,958,282	22,906,301	38,413,432	12,916,916	3,959,130	25,778,652	42,654,698	7.5%
Medicare Buy-In	5,090,838	0	12,873,129	17,963,967	6,410,894	0	14,012,469	20,423,363	7,282,329	0	15,843,518	23,125,847	4.1%
Clawback Payment for Part D	0	0	0	0	7,148,475	0	0	7,148,475	8,499,585	0	0	8,499,585	1.5%
Cervical and Breast Cancer	473,468	0	1,837,226	2,310,694	661,478	19,040	2,410,121	3,090,639	803,664	19,100	2,886,295	3,709,059	0.7%
Indian Health Services	0	0	33,881,359	33,881,359	0	0	35,424,237	35,424,237	0	0	39,841,640	39,841,640	7.0%
School Based Services	0	0	9,998,320	9,998,320	0	0	15,469,185	15,469,185	0	0	19,933,245	19,933,245	3.5%
CHIP	207,261	3,783,054	15,558,704	19,549,018	0	0	27,254,060	27,254,060	0	0	27,221,802	27,221,802	4.8%
Big Sky Rx	0	206,364	0	206,364	0	7,851,953	0	7,851,953	0	7,849,095	0	7,849,095	1.4%
Total Benefits	$96,755,613	$22,797,570	$324,651,889	$444,205,071	$122,840,451	$33,512,284	$376,134,390	$532,487,125	$132,575,693	$33,736,175	$403,246,987	$569,558,855	100.0%
Percent of Total Benefits	21.8%	5.1%	73.1%	100.0%	23.1%	6.3%	70.6%	100.0%	23.3%	5.9%	70.8%	100.0%	
Annual Rate of Change					12.7%	21.2%	7.6%	9.5%	7.9%	0.7%	7.2%	7.0%	

Medicaid hospital services, including the hospital utilization fee, are the most significant service expenditure accounting for more than a third of the total division budget. Children's mental health services and case management services account for 13.4 percent. Managed care services, including the primary care provider program and pharmacy services account for about a fifth of the division budget. Pharmacy services are net of an estimated $15.7 million in rebates paid by drug manufacturers.

Acute services, primarily physician services, account for about 7.5 percent of the FY 2009 budget request. The Medicare buy-in program, where the Medicaid program pays the Part B (hospital services) premiums for Medicare eligible persons, is about 4.1 percent. The clawback payment, while only comprising 1.5 percent of the FY 2009 budget, is significant because it is 100 percent general fund. Except for Big Sky Rx, which is funded from health and Medicaid initiatives account revenue, the clawback is the only function that is fully funded with state funds (general fund in this case).

Breast and cervical cancer services are under 1.0 percent of the total division budget. Persons with incomes under 20(percent of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cance program, can qualify for Medicaid coverage of cancer treatment and other basic Medicaid services.

Indian Health Services benefits represent federal Medicaid reimbursement for services provided by Indian Healt Services to Medicaid eligible persons. Schools receive federal reimbursement for Medicaid services provided by school for eligible students.

CHIP services are just under 5.0 percent of the division budget and grow from base budget costs of $19.5 million tc $27.2 million in the FY 2009 request. Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level. The budget for this service shows the most dramati increase rising from $0.2 million in benefits payments in FY 2006 to a $7.8 million budget request.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended b the executive.

Program Funding Table
Health Resources Division

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$99,892,880	21.9%	$126,411,134	23.1%	$136,183,109	23.3%
01100 General Fund	99,892,880	21.9%	126,411,134	23.1%	136,183,109	23.3%
02000 Total State Special Funds	23,744,825	5.2%	40,917,323	7.5%	41,198,085	7.1%
02053 Medicaid Nursing Home Match	60,196	0.0%	60,196	0.0%	60,196	0.0%
02142 Medicaid Third Party Revenue	783,301	0.2%	783,301	0.1%	783,301	0.1%
02311 6901-02 Indrct Activty Prog 11	12,252	0.0%	12,726	0.0%	12,841	0.0%
02772 Tobacco Hlth & Medicd Initiative	6,369,755	1.4%	20,848,763	3.8%	20,578,518	3.5%
02789 6901-Chip/Mcha Tobacco Sett Fd	3,090,785	0.7%	3,722,552	0.7%	3,853,519	0.7%
02987 Tobacco Interest	2,317,336	0.5%	2,872,336	0.5%	2,872,336	0.5%
02989 69010-Hospital Utilization Fee	11,111,200	2.4%	12,617,449	2.3%	13,037,374	2.2%
03000 Total Federal Special Funds	332,543,225	72.9%	379,564,407	69.4%	406,635,242	69.6%
03426 Chip Program Fed	16,423,596	3.6%	23,041,940	4.2%	22,991,535	3.9%
03580 6901-93.778 - Med Adm 50%	6,277,161	1.4%	6,717,236	1.2%	6,721,985	1.2%
03582 93.778 - Med Ben 100%	33,881,359	7.4%	35,424,237	6.5%	39,841,640	6.8%
03583 93.778 - Med Ben Fmap	275,211,107	60.3%	313,558,186	57.3%	336,254,525	57.6%
03611 6901-03 Indrct Activty Prog 11	254,750	0.1%	281,657	0.1%	284,208	0.0%
03794 Samsha Grant	495,252	0.1%	541,151	0.1%	541,349	0.1%
Grand Total	$456,180,930	100.0%	$546,892,864	100.0%	$584,016,436	100.0%

General fund is 21.9 percent of the base budget and rises each year of the 2009 biennium to 23.4 percent of the FY 2009 executive budget request. General fund is used almost exclusively for state matching funds for Medicaid. The federal match rate for Medicaid declines 2.0 percent from FY 2006 to FY 2009. Each 1.0 percent reduction in the federal match rate causes the state match to rise by $4.1 million in FY 2006 and $5.0 million in FY 2009 for services administered b this division.

General fund increases are due to Medicaid and CHIP caseload growth ($22.9 million over the biennium) as well as federal Medicaid match rate changes ($10.9 million over the biennium). Implementation of Medicare Part D prescription drug coverage January 1, 2006, shifted about 40.0 percent of Medicaid drug costs to Part D. Previously, state Medicaid programs had paid drug costs for persons eligible for both Medicare and Medicaid. Reimbursement (clawback) to the federal government for this cost shift adds $15.6 million general fund over the biennium.

There are seven state special revenue sources in HRD, totaling $23.7 million in the base budget and rising to $42.2 million in the FY 2009 executive request – a 73.5 percent increase. Most of the growth - $28.7 million over the biennium - is in the health and Medicaid initiatives account, which receives tobacco taxes and was created by citizen initiative. Funds in this account pay state Medicaid match for provider rate increases and service and eligibility expansions as well as the Big Sky Rx program and some CHIP match. The hospital utilization fee pays state Medicaid match to fund Medicaid payments to hospitals, rising from base budget funding of $11.1 million in the base budget to $13.0 million in the executive request for FY 2009. Tobacco settlement funds and interest from the settlement trust pay

a share of the state match for CHIP and rise $1.5 million over the biennium. Tobacco tax and settlement funding is discussed in the DPHHS agency overview.

Federal funds support 72.3 percent of base budget expenditures, with Medicaid matching funds accounting for 69.1 percent of the total division expenditures ($315.4 million). Federal Medicaid funding rises to $382.8 million in FY 2009, but comprises a lower share of total expenditures with 65.5 percent in FY 2009. The change in federal match rate and growth in state special revenue funds and CHIP federal grant funds lowers federal Medicaid funding as a percent of total funds.

CHIP federal grant funding provided about 3.6 percent or $16.4 million in the base budget, rising to $23.0 million and 3.9 percent of total funding in FY 2009. A grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) for the development of a children's mental health system of care and federal indirect funds provide under $0.5 million each, rising slightly in the 2009 biennium.

Program Reorganization

Children's Special Health Services was transferred from HRD to the Public Health and Safety Division, which is reflected in the difference in grant costs between biennia. Children's Special Health Services provides specialty clinics for children with metabolic disorders and other medical conditions such as cleft palate. The reorganization transferred 4.64 FTE and about $0.7 million per year.

HRD Biennial Budget Comparison

Figure 59 shows the 2007 biennium budget compared to the 2009 biennium executive budget request. The 2009 biennium is $138.2 million greater than the 2007 biennium. Services costs exceed the total growth at $139.7 million, but are offset by lower grant and operating costs. The biennial change is lower than the 2009 biennium annual change compared to base budget expenditures because the FY 2007 Medicaid eligibility and service increases are accounted for in Figure 59 but not in the main budget table.

Figure 59
2007 Biennium Compared to 2009 Biennium
Health Resources Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Difference	Percent of Change
FTE	81.00	87.00		6.00	
Personal Services	$7,289,026	$8,814,558	1%	$1,525,532	1.1%
Operating	21,549,166	19,665,642	2%	(1,883,524)	-1.4%
Equipment	0	0	0%	0	0.0%
Grants	1,493,358	378,556	0%	(1,114,802)	-0.8%
Benefits/Claims	962,318,582	1,102,045,980	97%	139,727,398	101.1%
Debt Service	4,564	4,564	0%	0	0.0%
Total Costs	$992,654,696	$1,130,909,300	100%	$138,254,604	100.0%
General Fund	$204,687,661	$262,594,243	23%	$57,906,582	41.9%
State Special	64,465,018	82,115,408	7%	17,650,390	12.8%
Federal Funds	723,502,017	786,199,649	70%	62,697,632	45.3%
Total Funds	$992,654,696	$1,130,909,300	100%	$138,254,604	100.0%

2005 Legislative Initiatives

The legislature approved funding for direct care worker wage increases for children's mental health services and 10.00 new FTE to help identify efficiencies in the Medicaid program and provide better access to care. HB 2 included language requesting that HRD provide reports to the joint appropriations subcommittee of the 2005 session summarizing the initial direct-care wages paid by July 1, 2005, and again on July 1, 2006, and January 1, 2007. HB 2 also included language requesting that HRD provide a report explaining the results of the results of hiring the FTE by September 1, 2006.

Although the Governor vetoed some of the conditions established for appropriations, he did not veto the reporting requirements for direct care wage staff increases. The Governor vetoed only one sentence of the conditions attached to hiring the 10.00 new FTE and a district court held that he must veto the entire condition and appropriation to which it is attached. The court held that the Governor's line item veto does not permit partial item vetoes.

HRD provided the initial report due to the appropriations subcommittee about direct care wage increases for children's mental health providers. HRD plans to provide an update to the appropriations subcommittee with the results of an audit of providers to verify direct care worker wage increases.

On June 28, 2006, the division requested the Quality Assurance Division (QAD) conduct an audit of provider records to determine whether the Medicaid direct care worker wage increase was properly implemented. The requested audit period was from October 1, 2005 through June 30, 2006 and the audit objectives were:

- o To establish whether the specified staff received the direct care wage increase
- o To determine whether the documentation for the application of the wage increase was adequate
- o To validate the percentage increase in the Medicaid appropriation that was actually spent on services for seriously emotionally disturbed children who qualify for Medicaid.

As of September 30, 2006, QAD had completed the review of most of the providers. Upon the receipt of a comprehensive and auditable documentation from the remaining provider, QAD will finalize and present it findings to the department, which also will be shared with the appropriations subcommittee.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,058,721					1,070,19
Vacancy Savings					(172,693)					(173,153
Inflation/Deflation					6,122					7,02
Fixed Costs					25,699					34,61
Total Statewide Present Law Adjustments					**$917,849**					**$938,68**
DP 11001 - Medicaid Caseload	0.00	7,378,133	0	21,597,456	28,975,589	0.00	12,881,323	0	37,959,677	50,841,00
DP 11002 - Medicaid Caseload - Children's Mental Health	0.00	2,900,429	0	6,339,548	9,239,977	0.00	4,393,079	0	9,557,633	13,950,71
DP 11003 - Medicare Buy - In Caseload	0.00	772,004	0	1,687,392	2,459,396	0.00	1,625,476	0	3,536,404	5,161,88
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	157,740	0	561,549	719,289	0.00	295,767	0	1,041,942	1,337,70
DP 11005 - FMAP MATCH Rate for FY2008/FY2009	0.00	7,070,145	0	(7,070,145)	0	0.00	7,411,883	0	(7,411,883)	
DP 11006 - CHIP FMAP Match Rate	0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)	
DP 11007 - Medicaid Tobacco Portion -I-149	0.00	(200,000)	2,951,188	6,013,349	8,764,537	0.00	(200,000)	2,951,188	5,985,517	8,736,70
DP 11008 - Big Sky Rx Base Adjustment	0.00	0	7,645,589	0	7,645,589	0.00	0	7,642,731	0	7,642,73
DP 11009 - CHIP Enrollment	0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929	3,137,44
DP 11010 - Indian Health Services Caseload	0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,28
DP 11025 - Rural Health & Fed Qualified Health Centers	0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,42
DP 11028 - Phased-down State Contribution Adjustment	0.00	7,148,475	0	0	7,148,475	0.00	8,499,585	0	0	8,499,58
DP 11031 - CMH - Direct Care Wage Biennial	0.00	0	198,404	(198,404)	0	0.00	0	0	0	
DP 11040 - Hospital Cost Reports	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,00
Total Other Present Law Adjustments	**0.00**	**$25,161,661**	**$11,719,630**	**$33,232,411**	**$70,113,702**	**0.00**	**$34,921,210**	**$11,468,295**	**$59,631,974**	**$106,021,47**
Grand Total All Present Law Adjustments					**$71,031,551**					**$106,960,16**

LFD COMMENT

Statewide present law adjustments add $1.8 million total funds due almost entirely to adjustments for personal services. Changes in statewide adjustments for inflation and fixed cost are negligible ($73,463). Figure 60 shows the components of the personal services change.

Figure 60
Health Resources Division
Personal Services Present Law Adjustment

Cost Item	FY 2008	FY 2009	Biennium	Percent of Total
Vacant Positions				
Partial Year	$724,282	$724,282	$1,448,564	68.0%
Full Year (6.00 FTE)	176,209	176,209	352,418	16.6%
Health Insurance Incr.*	91,956	91,956	183,912	8.6%
Upgrades	58,370	58,370	116,740	5.5%
Other	7,904	19,382	27,286	1.3%
Total	$1,058,721	$1,070,199	$2,128,920	100.0%

*Increase for 79 of the 85 FTE. The health insurance increase for the six vacant positions is included in the cost of the vacant positions.

The majority of the adjustment is due to fully funding positions that were vacant during the base budget year (84.6 percent of the total biennial increase). Fully funding partial year vacancies adds about $724,000 annually, while fully funding six positions that were vacant the entire year adds about $176,000 annually. Partial year vacancies were due to program start up (Big Sky Rx), filling 10.00 new FTE to control Medicaid costs funded by the 2005 Legislature, and turnover in bureau chief and division administrator positions. Upgrades, including some change due to movement of seven positions to pay plan 20, adds about $58,000 per year. The impact of pay plan changes adds about $174,000 over the year, including $92,000 for annualization of health insurance increases. Some of the cost of pay plan changes is included in fully funding vacant positions.

LFD ISSUE

Figure 61 shows how statewide present law adjustments are funded in the executive budget request compared to the LFD estimate of how the costs should be funded. The 2009 biennium LFD estimate is lower in general fund ($177,868) and state special revenue ($725,289) and higher in federal funds ($903,157) than the executive.

Figure 61
Health Resources Division
Biennial Funding for Statewide Present Law Adjustment
LFD Estimate Compared to Executive Request
2009 Biennium Budget Request

Fund Source	Executive	LFD	LFD Over (Under) Executive
General Fund	$835,432	$657,564	($177,868)
State Special R	1,126,237	400,948	(725,289)
Federal Funds	(90,290)	812,867	903,157
Total	$1,871,379	$1,871,379	$0

The LFD estimate is based on funding individual present law adjustments by subprogram. For example, statewide present law adjustments for Medicaid services was funded 50 percent general fund and 50 percent federal funds, while statewide present law adjustments for Big Sky Rx were funded fully from state special revenue.

LFD Issue
The legislature could fund statewide present law adjustments in proportion to subprogram funding levels.

New Proposals

New Proposals

	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11011 - Dental Access										
11	0.00	400,000	555,000	2,087,370	3,042,370	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee (Requires Legislation)										
11	0.00	0	1,506,249	973,284	2,479,533	0.00	0	1,926,174	1,759,231	3,685,405
DP 11013 - CHIP Self Administration										
11	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11038 - Family Planning Waiver Implementation - OTO										
11	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases										
11	0.00	0	1,641,338	3,587,518	5,228,856	0.00	0	1,646,566	3,582,290	5,228,856
DP 11901 - System of Care Sustainability										
11	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
Total	6.00	$948,297	$4,939,007	$13,793,079	$19,680,383	6.00	$947,669	$5,374,309	$14,553,361	$20,875,339

Sub-Program Details

MEDICAID 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	40.00	0.00	1.00	41.00	0.00	1.00	41.00	41.00
Personal Services	1,866,334	322,251	35,347	2,223,932	328,518	35,392	2,230,244	4,454,176
Operating Expenses	6,119,087	263,192	156,246	6,538,525	268,587	154,946	6,542,620	13,081,145
Benefits & Claims	365,032,200	48,591,792	12,091,050	425,715,042	79,795,658	13,287,261	458,115,119	883,830,161
Total Costs	**$373,017,621**	**$49,177,235**	**$12,282,643**	**$434,477,499**	**$80,392,763**	**$13,477,599**	**$466,887,983**	**$901,365,482**
General Fund	82,508,747	21,473,118	748,297	104,730,162	29,692,378	747,669	112,948,794	217,678,956
State/Other Special	17,568,050	2,559,634	3,212,994	23,340,678	2,559,749	3,636,588	23,764,387	47,105,065
Federal Special	272,940,824	25,144,483	8,321,352	306,406,659	48,140,636	9,093,342	330,174,802	636,581,461
Total Funds	**$373,017,621**	**$49,177,235**	**$12,282,643**	**$434,477,499**	**$80,392,763**	**$13,477,599**	**$466,887,983**	**$901,365,482**

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

The Medicaid services administered by HRD are commonly referred to as "state plan services". Once a state opts to administer Medicaid it must submit its plan for federal review and approval. The plan must include certain mandatory services and can include optional services. Examples of mandatory services are hospital and physician services, and durable medical equipment. Examples of optional services include pharmacy and some outpatient services, such as physical, speech, and occupational services. The Montana Medicaid state plan includes nearly all optional services. Once a person is eligible for Medicaid, they are eligible for any state plan service if it is medically necessary. A waiver of federal regulations is necessary to limit or reduce the services a Medicaid eligible person can receive. DPHHS has waivers that allow it to reduce the service package to a few specified populations, including able-bodied parents in low-income families.

Total Medicaid state plan costs are driven by the number of persons eligible, the number of persons accessing services, the quantity of services utilized, and the cost of services. Although Montana funds a wide array of services, its eligibility levels are at or near federal minimums and Medicaid reimbursements across provider classes are lower than comparable Medicare service rates.

State plan services are the dominant component of the division and the department budgets nearing $1.0 billion in the 2009 biennium budget request. State plan services are a significant component of HB 2 as well, comprising about 8.0 percent of total HB 2 expenditures in FY 2006, including $79.8 million general fund and $17.6 million state special revenue. Present law requests to continue state plan Medicaid services (hospital, physician, drugs, therapies, durable medical equipment) add $100.1 million over the biennium compared to base budget expenditures, including $51.5 million general fund and $18.7 million state special revenue.

Figure 62 shows each major service included in state plan services and each budget change requested in the executive budget. In summary, state funding increases over the 2009 biennium are driven by:

- Increases in service utilization and some growth in the number of persons eligible ($22.9 million general fund, $72.5 million total funds)
- Continuation of the hospital bed utilization fee ($6.2 million state special revenue and federal funds)

- o A drop in the federal match rate from 70.66 percent in FY 2006 to 68.61 percent in FY 2008 and 68.51 percent in FY 2009 ($10.9 million general fund increase and a like reduction in federal funds)
- o Payment of the state clawback due to implementation of Medicare Part D prescription drug coverage totals $15.6 million general fund
- o Funding switches from general fund to tobacco tax state special revenue, including expansions authorized by the 2005 Legislature, which raised family asset limit from $3,000 to $15,000 for Medicaid eligibility for children, which adds $15.0 million total funds, including a $0.2 million general fund reduction
- o A request to raise provider reimbursement the first year of the biennium costs $7.2 million total funds, including $2.3 million in tobacco tax state special revenue

Figure 62
2009 Biennium Executive Budget Request - HRD Medicaid Services

	FY 2008 Budget Request				FY 2009 Budget Request				Percent
Medicaid Services	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total
Hospital Services	$37,797,005	$861,469	$91,676,318	$130,334,792	$37,797,005	$861,469	$91,676,318	$130,334,792	67.2%
Hospital Bed Tax Base Expenditures	0	11,111,200	26,605,026	37,716,226	0	11,111,200	26,605,026	37,716,226	19.5%
NP 11012 Hospital Utilization Fee	0	1,506,249	973,284	2,479,533	0	1,926,174	1,759,231	3,685,405	1.9%
PL 11001 Medicaid Caseload	4,692,229	0	10,255,935	14,948,164	6,100,398	0	13,272,095	19,372,493	10.0%
PL 11005 FMAP Match Rate for 08/09	2,669,798	0	(2,669,798)	0	2,800,032	0	(2,800,032)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	0	290,435	634,812	925,247	0	290,435	631,874	922,309	0.5%
PL 11025 Rural Health & FQHCs	72,361	0	158,162	230,523	158,529	0	344,898	503,427	0.3%
NP 11501 Provider Rate Increases	0	401,476	877,517	1,278,993	0	402,755	876,238	1,278,993	0.7%
Subtotal Hospital Services	$45,231,393	$14,170,829	$128,511,256	$187,913,478	$46,855,964	$14,592,033	$132,365,648	$193,813,645	100.0%
Pharmacy Services	$13,919,401	$0	$34,067,100	$47,986,501	$13,919,401	$0	$34,067,100	$47,986,501	87.5%
LFD Allocation of Caseload Adjustment	666,162	0	1,456,049	2,122,211	2,105,641	0	4,581,056	6,686,697	
PL 11005 FMAP Match Rate for 08/09	1,029,028	0	(1,029,028)	0	1,079,225	0	(1,079,225)	0	0.0%
NP 11501 Provider Rate Increases	0	46,781	102,251	149,032	0	46,930	102,102	149,032	0.3%
Subtotal Pharmacy Services	$15,614,591	$46,781	$34,596,372	$50,257,744	$17,104,267	$46,930	$37,671,033	$54,822,230	100.0%
Acute Services Base Expenditures	$10,211,595	$3,043,658	$19,607,087	$32,862,340	$10,211,595	$3,043,658	$19,607,087	$32,862,340	64.2%
PL 11001 Medicaid Caseload	427,863	0	935,194	1,363,057	1,768,142	0	3,846,789	5,614,931	11.0%
PL 11005 FMAP Match Rate for 08/09	509,391	0	(509,391)	0	537,179	0	(537,179)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	0	93,597	204,578	298,175	0	93,597	203,631	297,228	0.6%
NP 11011 Dental Access	400,000	555,000	2,087,370	3,042,370	400,000	555,000	2,077,709	3,032,709	5.9%
PL 11028 Phased Down State Contribution	7,148,475	0	0	7,148,475	8,499,585	0	0	8,499,585	16.6%
NP 11501 Provider Rate Increases	0	266,027	581,463	847,490	0	266,875	580,615	847,490	1.7%
Subtotal Acute Services	$18,697,324	$3,958,282	$22,906,301	$45,561,907	$21,416,501	$3,959,130	$25,778,652	$51,154,283	100.0%
Managed Care Services Base Expenditures	$12,344,957	$2,539,471	$36,786,754	$51,671,182	$12,344,957	$2,539,471	$36,786,754	$51,671,182	72.1%
Targeted Case Management	89,793	0	217,026	306,819	89,793	0	217,026	306,819	
PL 11001 Medicaid Caseload	1,591,879	0	3,479,413	5,071,292	2,907,142	0	6,324,812	9,231,954	12.9%
PL 11005 FMAP Match Rate for 08/09	548,051	0	(548,051)	0	566,015	0	(566,015)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	(200,000)	2,175,128	4,317,092	6,292,220	(200,000)	2,175,128	4,297,111	6,272,239	8.7%
NP 11038 Family Planning Waiver OTO	910,310	0	1,989,690	2,900,000	913,210	0	1,986,790	2,900,000	4.0%
NP 11501 Provider Rate Increases	0	418,421	914,555	1,332,976	0	419,754	913,222	1,332,976	1.9%
Subtotal Managed Care Services	$15,284,990	$5,133,020	$47,156,479	$67,574,489	$16,621,117	$5,134,353	$49,959,700	$71,715,170	100.0%
Medicare Buy-In	$5,090,838	$0	$12,873,129	$17,963,967	$5,090,838	$0	$12,873,129	$17,963,967	77.7%
DP 11003 Caseload Increase	772,004	0	1,687,392	2,459,396	1,625,476	0	3,536,404	5,161,880	22.3%
PL 11005 FMAP Match Rate for 08/09	548,051	0	(548,051)	0	566,015	0	(566,015)	0	0.0%
Subtotal Medicare Buy-In	$6,410,893	$0	$14,012,470	$20,423,363	$7,282,329	$0	$15,843,518	$23,125,847	100.0%
Breast and Cervical Cancer	$661,478	$19,040	$2,410,121	$3,090,639	$803,664	$19,100	$2,886,295	$3,709,059	100.0%
Indian Health Services	$0	$0	$35,424,237	$35,424,237	$0	$0	$39,841,640	$39,841,640	100.0%
School Based Services	$0	$0	$15,469,185	$15,469,185	$0	$0	$19,933,245	$19,933,245	100.0%
Total by Component									
Base/Some Caseload Increases	$80,115,067	$17,574,838	$275,135,983	$372,825,888	$80,257,253	$17,574,898	$284,493,620	$382,325,771	83.5%
Caseload/Service Utilization Growth	8,222,497	0	17,972,146	26,194,643	14,665,328	0	31,906,054	46,571,382	10.2%
Hospital Utilization Fee	0	1,506,249	973,284	2,479,533	0	1,926,174	1,759,231	3,685,405	0.8%
FMAP Federal Match Rate Reduction	5,304,319	0	(5,304,319)	0	5,548,466	0	(5,548,466)	0	0.0%
Phased Down Contribution - Clawback	7,148,475	0	0	7,148,475	8,499,585	0	0	8,499,585	1.9%
I-149 Funding Switch/Annualization	(200,000)	2,559,160	5,156,482	7,515,642	(200,000)	2,559,160	5,132,616	7,491,776	1.6%
Expansions/Access	1,310,310	555,000	4,077,060	5,942,370	1,313,210	555,000	4,064,499	5,932,709	1.3%
Provider Rate Increases	0	1,132,705	2,475,786	3,608,491	0	1,136,314	2,472,177	3,608,491	0.8%
Grand Total	$101,900,668	$23,327,952	$300,486,421	$425,715,042	$110,083,842	$23,751,546	$324,279,731	$458,115,119	100.0%

Hospital services are the largest share of the Medicaid services budget accounting for almost half of total 2009 biennium expenditures. Managed care services account for about 14 percent of the total, while pharmacy and acute care services are each about 10.0 percent of the total.

LFD COMMENT

In October 2005 (midway through state FY 2006), the Medicaid claims payment contractor began using an optical scanner to process the paper claims backlog, estimated to be about 50,000 claims. The backlog was cleared by December 2005. As a result, the number of claims paid in October and November of FY 2006 was greater than other months in FY 2006, which also produced higher than expected costs in those months. Since Medicaid estimates are based on historic trends, it became difficult to determine ongoing changes in the data from the one time change due to elimination of the backlog.

This aberration in the data made it difficult to estimate FY 2006 Medicaid costs at fiscal year end. It continues to cause difficulty in estimates for the 2009 biennium, since it occurred within the most recent 12 months of data used to develop the executive budget. The executive Medicaid request is based on claims paid through the end of October, 2006. LFD staff has reviewed the methodology and assumptions used by the department in developing the budget request for state plan services. The methodology and assumptions, with a few exceptions for specific caseload increases, appear to be prudent and reasonable.

Medicaid caseload estimates will continue to be updated throughout the legislative session. There are usually modifications to the estimates, but the changes this biennium could be more significant when the effect of the backlog payment recedes.

Present Law Adjustments

	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					413,439					419,9
Vacancy Savings					(91,188)					(91,45
Inflation/Deflation					2,765					3,5
Fixed Costs					10,427					14,9
Total Statewide Present Law Adjustments					**$335,443**					**$347,1**
DP 11001 - Medicaid Caseload	0.00	7,378,133	0	21,597,456	28,975,589	0.00	12,881,323	0	37,959,677	50,841,0
DP 11003 - Medicare Buy - In Caseload	0.00	772,004	0	1,687,392	2,459,396	0.00	1,625,476	0	3,536,404	5,161,8
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	157,740	0	561,549	719,289	0.00	295,767	0	1,041,942	1,337,7
DP 11005 - FMAP MATCH Rate for FY2008/FY2009	0.00	5,852,087	0	(5,852,087)	0	0.00	6,134,407	0	(6,134,407)	
DP 11007 - Medicaid Tobacco Portion -I-149	0.00	(200,000)	2,559,160	5,156,482	7,515,642	0.00	(200,000)	2,559,160	5,132,616	7,491,7
DP 11010 - Indian Health Services Caseload	0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,2
DP 11025 - Rural Health & Fed Qualified Health Centers	0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,4
DP 11028 - Phased-down State Contribution Adjustment	0.00	7,148,475	0	0	7,148,475	0.00	8,499,585	0	0	8,499,5
DP 11040 - Hospital Cost Reports	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,0
Total Other Present Law Adjustments	**0.00**	**$21,305,800**	**$2,559,160**	**$24,976,832**	**$48,841,792**	**0.00**	**$29,520,087**	**$2,559,160**	**$47,966,411**	**$80,045,6**
Grand Total All Present Law Adjustments					**$49,177,235**					**$80,392,7**

<u>DP 11001 - Medicaid Caseload</u> This request adds $79.8 million ($20.2 million in general fund) over the biennium for increased Medicaid costs for several state plan Medicaid benefits.

LFD COMMENT

The caseload increase is allocated among Medicaid services as shown in Figure 63. Base expenditures were $272.9 million, including $74.3 million general fund and $6.4 million state special revenue.

This request represents an annual compounded 5.3 percent growth rate from base budget expenditures through the 2009 biennium. However, that increase does not take into account other present law adjustments, which also add to the cost of Medicaid services administered by HRD.

Figure 63
DP 11001 Caseload Request Allocated Among Benefits

	FY 2008 Budget Request				FY 2009 Budget Request				Percent
Medicaid Services	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total
Hospital Services Base Expenditures	$37,797,005	$861,469	$91,676,318	$130,334,792	$37,797,005	$861,469	$91,676,318	$130,334,792	40.3%
DP 11001 Caseload Increase	4,692,229	0	10,255,935	14,948,164	6,100,398	0	13,272,095	19,372,493	6.0%
Subtotal Hospital Services	$42,489,234	$861,469	$101,932,253	$145,282,956	$43,897,403	$861,469	$104,948,413	$149,707,285	46.2%
Managed Care Services Base Expenditures	$12,344,957	$2,539,471	$36,786,754	$51,671,182	$12,344,957	$2,539,471	$36,786,754	$51,671,182	16.0%
DP 11001 Caseload Increase	1,591,879	0	3,479,413	5,071,292	2,907,142	0	6,324,812	9,231,954	2.9%
Subtotal Managed Care Services	$13,936,836	$2,539,471	$40,266,167	$56,742,474	$15,252,099	$2,539,471	$43,111,566	$60,903,136	18.8%
Pharmacy Services Base Expenditures	$13,919,401	$0	$34,067,100	$47,986,501	$13,919,401	$0	$34,067,100	$47,986,501	14.8%
LFD Allocation of Caseload Adjustment	666,162	0	1,456,049	2,122,211	2,105,641	0	4,581,056	$6,686,697	2.1%
Subtotal Pharmacy Services	$14,585,563	$0	$35,523,149	$50,108,712	$16,025,042	$0	$38,648,156	$54,673,198	16.9%
Acute Services Base Expenditures	$10,211,595	$3,043,658	$19,607,087	$32,862,340	$10,211,595	$3,043,658	$19,607,087	$32,862,340	10.2%
DP 11001 Caseload Increase	427,863	0	935,194	1,363,057	1,768,142	0	3,846,789	5,614,931	1.7%
Subtotal Acute Services	$10,639,458	$3,043,658	$20,542,281	$34,225,397	$11,979,737	$3,043,658	$23,453,876	$38,477,271	11.9%
School Based Services	$0	$0	$9,997,601	$9,997,601	$0	$0	$9,997,601	$9,997,601	3.1%
DP 1101 Caseload Increase	0	0	5,470,865	5,470,865	0	0	9,934,925	9,934,925	3.1%
Subtotal School Based Services	$0	$0	$15,468,466	$15,468,466	$0	$0	$19,932,526	$19,932,526	6.2%
Total by Component									
Total Base	$74,272,958	$6,444,598	$192,134,860	$272,852,416	$74,272,958	$6,444,598	$192,134,860	$272,852,416	84.3%
Caseload/Service Utilization Growth	7,378,132	0	21,597,457	28,975,589	12,881,323	0	37,959,677	50,841,000	15.7%
Total with Caseload Adjustment	$81,651,090	$6,444,598	$213,732,317	$301,828,005	$87,154,281	$6,444,598	$230,094,537	$323,693,416	100.0%

The executive budget does not allocate a specific caseload increase to the pharmacy program, but combines it with hospital costs. LFD staff has changed the allocation in Figure 63 to show the expected growth in pharmacy costs. Pharmacy costs are net of rebates paid by drug manufacturers, which are estimated to be 21 percent of total pharmacy costs.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This request funds Medicaid cost increases due to the number of eligible persons, service utilization and patient acuity levels. Medicaid is an entitlement program. Failure to account for changes in caseload would materially misstate present law service costs.

Goal: Continue to provide high quality services to about 83,000 Medicaid eligible Montanans who require the level of medical services provided by this program. To the extent possible, the division will aggressively manage the program and invest in program areas that promote cost avoidance to help control the growth of Medicaid entitlements so they don't consume unnecessary resources.

Performance Criteria: Eligible individuals will continue to receive appropriate care as authorized by program rules. Staff will monitor program budgets monthly to insure that program is operating within funding levels as appropriated and utilization is consistent with expected program growth rates.

Milestones: The program will monitor budget activity monthly and annually to operate program expenditures within appropriated funding levels over the course of the biennium.

FTE: No additional FTE will be required for this increase in caseload for these services.

Funding: The funding is at the Medicaid services matching rate of about 31 percent state funds and about 69 percent federal funds.

Obstacles: Shortages of providers who are willing and able to provide these services are an issue. Continuation of provider rate increases can help in assuring access to care.

Risk: If increases in funding are not approved it is expected that expenditures will exceed the budgeted authority as demand for services increases and as persons become eligible and access services. If resources are not available to meet the increased demand, modifications or reductions to the service package that can be offered would result. Cutting services is not a recommended option, since services have been limited to those which are required and necessary to maintain a viable Medicaid program.

LFD ISSUE

The executive budget includes the same evaluation criteria for all significant Medicaid adjustments. Program goals are broad, general, and unrelated to many activities besides ensuring appropriations are not overspent. The performance criteria do not assess whether expenditures are providing high quality services. The information to evaluate an appropriation for $796.6 million over the biennium seems insufficient. Some program challenges noted by Medicaid staff in public meetings include maintaining access to services, high cost of neonatal cases, ensuring that Medicaid participants have a medical home, preventing use of high cost services, and encouraging preventive health measures. However, none of these challenges is mentioned.

The legislature could request that HRD develop more meaningful performance measures and evaluation criteria. The legislature could consider including those measures and criteria in a companion bill to HB 2 and requiring periodic reports during the interim.

DP 11003 - Medicare Buy - In Caseload - This request adds $7.6 million total funds over the biennium including $2.4 million general fund. The funds pay expected increases in premiums for Medicare Part A and Part B as projected by the department. DPHHS pays Medicare Part A and Part B premiums for persons eligible for both Medicare and Medicaid if it would lower Medicaid costs. Medicare covers the cost of most services for the individual leaving Medicaid liable for non-Medicare covered services, and for co-insurance and deductibles related to services utilized.

LFD ISSUE

LFD estimates of the cost for Medicare Part B coverage are lower than those in the executive budget by $1.5 million total funds, including $0.5 million general fund. Figure 64 compares the estimates.

The LFD The LFD used an annual rate of change in Part B premiums of 12.8 percent. The LFD held caseloads constant at 15,610, the average of FY 2005 and FY 2006.

These estimates will be revised during the legislative session, when updated information on caseloads is available. There will be no changes to the Part B premium. Barring significant changes in caseloads, a difference between the executive and LFD estimate most likely will remain.

Figure 64
Medicare Buy In Cost Estimates
LFD Compared to HRD Estimate

Estimate	FY 2008	FY 2009
Executive Budget	$20,423,363	$23,125,847
LFD		
Monthly Eligibles	15,610	15,610
Monthly Premium	$105.47	$118.97
	$19,756,266	$22,285,068
Exec. Over (Under) LFI	$667,097	$840,779
General Fund	$209,402	$264,761
Biennial Total		$474,163
Figure		

DP 11004 - Medicaid Breast & Cervical Cancer - This request adds $2.1 million for the biennium including $0.5 million general fund to provide continued funding for the Breast and Cervical Cancer Treatment program for those individuals determined to be Medicaid eligible. Costs rise due to estimated growth in service utilization and the number of persons eligible, based on historic cost trends. The Medicaid program provides health care coverage and reimbursement to health care providers for those individuals screened through the Montana Breast and Cervical Health (MBCH) program who are

diagnosed with breast and/or cervical cancer or pre-cancer. The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment.

DP 11005 - FMAP MATCH Rate for FY2008/FY2009 - This decision package reflects the reduction in federal Medicaid match rate (FMAP). In total, the FMAP adjustment adds $14.5 million in general fund and reduces federal funds by a like amount. Most of the change is for state plan services, which rises by $12.0 million general fund with a like reduction in federal funds. This adjustment also adds $2.5 million in general fund for children's mental health services and reduces federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11007 - Medicaid Tobacco Portion -I-149 - This decision package reduces general fund by $0.2 million each year and increases health and Medicaid initiatives state special funds $3.0 million each year to annualize eligibility increases and fully fund provider rate increases from the state special revenue. State special revenue and a small amount of general fund were appropriated by the 2005 Legislature for Medicaid provider rate increases in FY 2006. Beginning in FY 2007, the legislature appropriated health and Medicaid initiative funds for the state Medicaid match to increase eligibility for children by increasing the family asset limit from $3,000 to $15,000.

DP 11010 - Indian Health Services Caseload - This request adds $7.5 million in federal funds for the biennium. The Montana Indian Health Service is making a concerted effort to identify all Medicaid eligible persons who are also Indian Health Service recipients and to bill appropriately for services. This program has had substantial growth in the past few years and is expected to continue to grow at 8 percent per year through the next biennium. This program is fully funded from federal funds.

DP 11025 - Rural Health & Fed Qualified Health Centers - Rural health clinic and Federally Qualified Health Center services are required Medicaid services. This request adds $733,950 over the biennium. These facilities are paid an all-inclusive prospective payment amount per patient visit. The per visit payment amounts are increased each year based on the Medicare Economic Index (due to Benefit Improvement and Protection Act (BIPA)). The three most recent annual increases have been estimated at 2.6 percent in FY 2007, 3.0 percent in FY 2008, and 2.9 percent in FY 2009.

DP 11028 - Phased-down State Contribution Adjustment - This decision package adds $15.6 million general fund over the biennium for the "clawback" payment required by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA). States must pay a monthly fee for those individuals whose Medicaid drug coverage was assumed by Medicare Part D.

The "clawback" payment is adjusted each year based on several variables including:

- The number of persons eligible for both Medicare and Medicaid in Montana
- The base level per person payment calculated from 2003
- An inflation factor based on the National Health Index
- And a gradual reduction of the total amount owed from 90 percent to 75 percent over a period of time

LFD COMMENT The clawback payment could be adjusted upward if the Part D benefit cost exceeds 45 percent of total Medicare expenditures. If that were to happen, states would be subsidizing a program over which they had no control.

Under the MMA, the monthly payment amount is inflated by a national index and adjusted for changes in the state Medicaid match rate. Since the Montana state match rate increases in FY 2008 and FY 2009 compared to the base budget amount, the monthly clawback amount also increases.

The clawback estimate is based on data since January 2006 and will be updated for legislative consideration.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The MMA requires this payment.

Goal: Implementation of Part D shifted prescription drug costs for individuals eligible for both Medicare and Medicaid (dual eligibles) to Medicare. Previously, these individuals had received drug coverage through state Medicaid programs. The MMA section 1935(c) requires states and the District of Columbia to make monthly payments to the federal government beginning January 2006 to defray a portion of the Medicare drug expenditures previously pay by Medicaid. The percentage of state contributions to Medicare part D funding is reduced over a ten-year period.

Performance Criteria: Compliance with the MMA.

Milestones: DPHHS is creating a system for the reconciliation process with CMS to determine who is a fully dual eligible and insuring proper payment amounts are made to the federal government.

Obstacles: This payment is required by law. The current obstacle is that CMS does not provide a roster of whom it bills for each month.

Risk: If the phased-down state contribution (clawback) is not paid, the legislation requires CMS to disallow from the federal financial participation in a state's Medicaid expenditures any amounts which the state should have paid under section 1935 of the act. Because this is a disallowance of Medicaid funds, any state disagreements with the phased-down billing would have to be handled through the existing disallowance process under sec. 430.42 of the act.

DP 11040 - Hospital Cost Reports - The decision package requests $500,000 over the biennium for hospital costs reports funded equally from general fund and federal funds. The reports are required by law and are used for calculating items such as hospital settlements. The hospital cost reports are currently provided by Montana Blue Cross Blue Shield (BCBS). As of October 2006, Montana BCBS is no longer the Medicare carrier and it will not be providing hospital cost reports.

LFD ISSUE

Since this is a service required by law, the division believes that it will cost more to purchase this information from another contractor. LFD staff has asked HRD to provide the documentation for the current contract amount. The legislature can then evaluate whether this request is sufficient to fund the contract.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11011 - Dental Access										
01	0.00	400,000	555,000	2,087,370	3,042,370	0.00	400,000	555,000	2,077,709	3,032,70
DP 11012 - Hospital Utilization Fee (Requires Legislation)										
01	0.00	0	1,506,249	973,284	2,479,533	0.00	0	1,926,174	1,759,231	3,685,40
DP 11038 - Family Planning Waiver Implementation - OTO										
01	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,33
DP 11501 - Provider Rate Increases										
01	0.00	0	1,151,745	2,517,402	3,669,147	0.00	0	1,155,414	2,513,733	3,669,14
Total	**1.00**	**$748,297**	**$3,212,994**	**$8,321,352**	**$12,282,643**	**1.00**	**$747,669**	**$3,636,588**	**$9,093,342**	**$13,477,59**

DP 11011 - Dental Access - This request adds $6.1 million over the biennium, including $0.8 million general fund and $1.2 million from the health and Medicaid initiatives state special revenue account, to enhance access to dental services for both adults and children in Medicaid, by raising reimbursement rates to 85 percent of billed charges for adults (age 18 and over) and children (age 17 and under). Current reimbursement is 58 percent of billed charges for adult services and 64 percent of billed charges for children's services. The request assumes a 4 percent increase in utilization.

LFD ISSUE

Rate increases are frequently seen as one way to enhance access to Medicaid services. However, rate increases do not always bring the expected results. If the legislature approves this request, it may wish to ask for documentation regarding changes in access to dental services to determine if the rate increase had the desired effect or if other actions would be necessary to increase access.

The legislature may wish to ask HRD how it currently measures access, what current access is using that measure, and what it hopes to achieve. The legislature may also wish to request that HRD provide an assessment of the impact on dental access if it approves this request.

The level of funding in the final executive budget is more than double the agency budget request, yet the rate and utilization changes noted in the budget documentation did not change. LFD staff has requested that HRD provide the documentation supporting this request so that the legislature can determine what additional services might be funded.

DP 11012 - Hospital Utilization Fee (Requires Legislation) - This request would fund continuation of the hospital utilization fee for the 2009 biennium. It adds $6.2 million funds over the biennium, including $3.4 million in state special revenue fee assessments. This request also makes adjustments for the reduction in the federal Medicaid match rate.

FY 2006 expenditures were $37.7 million. This fee is used as state Medicaid match to draw down federal Medicaid matching funds and increase Medicaid reimbursement for hospitals. Rate increases would bring reimbursement levels to less than 100 percent of the cost of providing services as measured in the aggregate across all hospitals.

LFD ISSUE

The legislature would need to enact legislation to continue the hospital utilization fee, which expires July 1, 2007. The fee was first authorized by the 2003 Legislature and continued by the 2005 legislative session. The fee conforms to federal rule. The current fee is $27.70 for each inpatient bed day until January 1, 2007 when the fee can be established by rule. Hospitals may not place the fee on a patient's bill. While the funding to continue the hospital utilization fee and Medicaid payments is included in the executive budget, the Governor has not requested legislation to continue the fee.

LFD COMMENT

Due to an oversight, the expenditures for the hospital utilization fee were not removed from the present law base budget. Since the fee sunsets July 1, 2007, the expenditures are not considered ongoing and should have been removed. The DPHHS present law budget is overstated by about $37.7 million in FY 2006 and in each year of the 2009 biennium.

DP 11038 - Family Planning Waiver Implementation - OTO - This request for a one-time-only appropriation of $0.7 million general fund and $5.4 million federal funds for the biennium would fund the first two years of a five year family planning waiver. The program is expected to start July 2007 and would provide reproductive health services estimated at approximately $480 per year to about 6,000 low-income women with incomes below 185 of the federal poverty who are of child-bearing age. The proposal assumes that there would be future Medicaid savings, but that costs would increase in the first two years of the waiver.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This request would fund implementation of the family planning waiver to provide a limited array of family planning benefits, primarily contraceptives to about 6,000 low-income women.

Goals:

- Reduce the number of unplanned/unwanted pregnancies through coverage of family planning services for women at or below 185 percent of the federal poverty level in year 3, 4, and 5 of the waiver
- Improve access to and use of family planning services in all 5 years of the waiver
- Decrease the number of Medicaid paid deliveries in years 3, 4, and 5 of the waiver

Performance Criteria: Specific criteria include:

- Number of women receiving family planning services under the Montana Family Planning Project being between 6,000 and 10,000 during the first 3 years
- Number of live births for Medicaid and Medicaid eligible populations
- Costs of the family planning project itself

Evaluations of the capacity for the Montana Family Planning Project to increase enrollment shall occur every six months.

Milestones: After federal approval of the Montana Family Planning Project:

- The eligibility determination specialist would be hired within two months.
- Initial education of family planning services providers would take place within three months
- An ongoing statewide public information outreach campaign to initiate enrollment of recipients would occur within three months

Program enrollment capacity and progress toward goals would be evaluated at intervals delineated in the waiver application.

FTE: Funding for 1.00 grade 12 FTE is requested for eligibility determination.

Funding: Program services are funded 10 percent state general fund and 90 percent federal Medicaid funds. Administrative costs are funded equally between the state and federal government.

Obstacles: Potential obstacles include:

- Lack of recipient enrollment, which would be mitigated by increasing outreach efforts
- Resistance from providers, which would be mitigated by increasing provider education efforts
- Denial of waiver by the Centers for Medicare and Medicaid Services, which DPHHS would attempt to remedy by working with CMS to modify the waiver in compliance to its suggestions

Risk: If the Montana Family Planning Project is not adopted, the risk is that women with incomes under 185 percent of the federal poverty would continue to have unplanned/unwanted pregnancies, contributing to high expenditures for pregnancies, deliveries and associated costs.

LFD COMMENT Some of the goals and performance criteria are not related to the risks if the proposal is not adopted. It is unclear how the performance criteria would measure whether risks are being mitigated through implementation of this proposal. The legislature may wish to ask HRD what base line data would be used and what numeric goals it would hope to achieve if this proposal were to be funded.

<u>DP 11501 - Provider Rate Increases -</u> This request adds $10.5 million, including $2.3 million from the health and Medicaid initiatives state special revenue account for a 2.5 percent provider rate increase in FY 2008. Part of the rate increase is allocated to state plan services ($7.3 million, including $2.3 million state funds) and the remainder is allocated to children's mental health services ($3.1 million, including $1.0 million state funds).

LFD ISSUE The budget request does not include enough funds for a 2.5 percent rate increase for all services in either year of the biennium as explained in the executive budget. In addition, the funding in the executive budget does not rise in FY 2009 to pay the cost of the rate increase for caseload and service utilization growth in FY 2009.

Figure 65 shows selected services that the legislative staff believe would be included in the rate increase, except for hospital and pharmacy services. Hospital services were excluded because critical access hospital reimbursement is based on cost. Pharmacy rate increases are applied to the dispensing fee and not the cost of drugs. LFD staff requested documentation on the cost of hospital services subject to rate increases and number of scripts used to develop the rate increase in order to determine the rate increase for those services.

Figure 65
Executive Budget Request for Selected Provider Rate Increases
Compared to LFD Estimate

Service/Rate Estimate	Total Cost Subject to Rate Increase FY 2008	FY 2009	Rate Increase for Each Service Based on Executive Request FY 2008	FY 2009
Children's Mental Health Srvs	$69,906,361	$74,613,130	2.23%	2.09%
Managed Care Services	63,034,694	67,175,375	2.11%	1.98%
Acute Services	34,523,572	38,774,499	2.45%	2.19%
Cervical and Breast Cancer	3,090,639	3,709,059	0.00%	0.00%
Service Costs in the Exec. Budget	$170,555,266	$184,272,063		
LFD Estimate - 2.5% Rate Increase	4,263,882	4,606,802		
Executive Request for 2.5%*	3,740,175	3,740,175		
LFD Estimate Over (Under) Exec	$523,707	$866,627		
Additional State Match Needed	$164,915	$272,901		
Aggregate Rate Increase Funded by Executive Budget Request	2.2%	2.0%		
Cost of 1% Rate Increase	$1,705,553	$1,842,721		

*Pharmacy and hospital services rate increase amounts are not included in this calculation.

The legislature would need to add an additional $437,816 state match from the health and Medicaid initiatives, to fully fund a 2.5 percent rate increase. LFD staff requested that HRD provide documentation showing which services were included in the 2.5 percent rate calculation. Staff will review the information and advise the legislature.

Figure 65 also shows the rate increase amount allocated in the executive request to selected services and the estimated percent increase supported by the allocation. Rate increases range from a high of 2.45 percent for acute services in FY 2008 to no rate increase for breast and cervical cancer treatment.

Sub-Program Details

CHILDREN'S HEALTH CARE RESOURCES 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	14.00	0.00	5.00	19.00	0.00	5.00	19.00	19.00
Personal Services	569,472	92,514	221,623	883,609	93,548	221,868	884,888	1,768,497
Operating Expenses	514,956	10,740	848,815	1,374,511	13,199	880,828	1,408,983	2,783,494
Benefits & Claims	19,549,018	3,137,449	4,567,593	27,254,060	3,137,449	4,535,335	27,221,802	54,475,862
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	**$20,635,728**	**$3,240,703**	**$5,638,031**	**$29,514,462**	**$3,244,196**	**$5,638,031**	**$29,517,955**	**$59,032,417**
General Fund	218,782	(218,782)	0	0	(218,782)	0	0	0
State/Other Special	3,993,350	1,242,752	1,236,420	6,472,522	1,286,501	1,246,569	6,526,420	12,998,942
Federal Special	16,423,596	2,216,733	4,401,611	23,041,940	2,176,477	4,391,462	22,991,535	46,033,475
Total Funds	**$20,635,728**	**$3,240,703**	**$5,638,031**	**$29,514,462**	**$3,244,196**	**$5,638,031**	**$29,517,955**	**$59,032,417**

Children's Health Care Resources administers the Children's Health Insurance Program (CHIP). The executive budget includes $6.5 million for present law adjustments and $11.3 million for a new proposal to fund department administration of CHIP rather than contacted administration and to support 5.00 new FTE. The single largest present law adjustment (about 96.7 percent of the total) requests funding to support a monthly caseload of 13,900 each year of the 2009 biennium compared to an annual average caseload of 12,019 in FY 2006.

Historically, the level of state funding has constrained the number of children that could be enrolled in CHIP, while federal funding has been more than adequate. Federal CHIP grants may be expended over three years before unspent balances must revert. Like some other states, Montana grew its program slowly in the first few years, leaving significant federal funding unspent, even with netting out reversions to the federal government. However, this biennium, federal funding may be the constraint that limits CHIP expansions or program changes.

Reauthorization of CHIP funding occurs in federal fiscal year 2008, which starts October 1, 2007. It is unclear whether current funding levels will be continued, expanded or reduced and just as important, how CHIP grant funds would be allocated among states. The reauthorization and allocation process are critical to implementation of the executive budget proposal.

Figure 66 shows estimated federal funds that carry forward into 2009 biennium after FY 2007, compared to the executive budget request. The federal grant amount is assumed to remain constant at $15.7 million annually, but as noted, that amount is a significant unknown variable.

Figure 66
Federal CHIP Grant Funds Remaining at End of FY 2009
Estimated Expenditures, Executive Budget Request, Balance Remaining

State Fiscal Year/ Federal Grant Year	Available Federal CHIP Funds	--------Estimated Expenditures/ Budget Request	Federal-------- Unexpended Grant Funds
State FY 2007			
Federal 2005 Grant	$8,523,971		
Federal 2006 Grant	12,558,064		
Federal 2007 Grant	15,736,459		
Total Federal Funds Available	$36,818,494	$16,744,182	$20,074,312
State FY 2008			
Carry Forward	$20,074,312		
Federal 2008 Grant*	15,736,459		
Total Federal Funds Available	$35,810,771	$23,014,940	$12,795,831
State FY 2009*			
Balance Carry Forward	$12,795,831		
Federal 2009 Grant*	15,736,459		
Total Federal Funds Available	$28,532,290	$22,991,535	$5,540,755
Unexpended Federal Grant Balance in State FY 2009			$5,540,755
First Quarter Costs for FY 2010 Based on Exec. Budget			$5,747,884

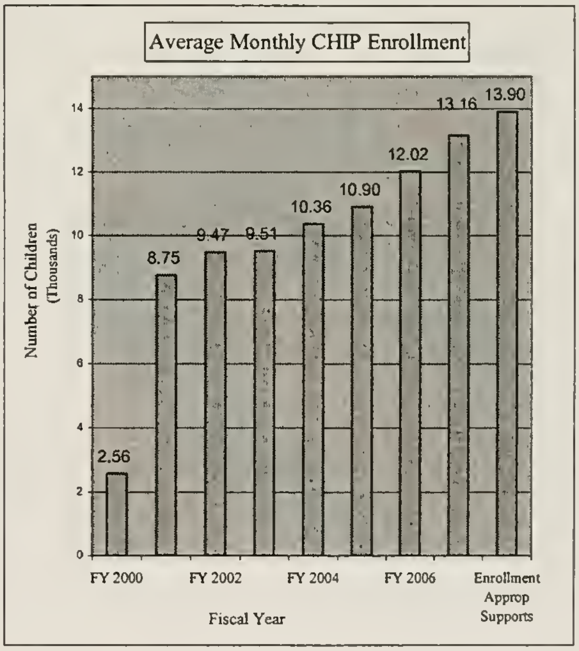
*Federal reauthorization for CHIP occurs in 2008. These grant amounts may change depending on the reauthorization amounts and distribution formulas.

The actual FY 2007 balance of available federal CHIP funding was $36.8 million. About $20.0 million is estimated to carry forward into FY 2008, which is almost enough to fund the FY 2008 executive budget request without additional federal grant funds.

However, unless annual federal CHIP grants are increased, the CHIP program envisioned in the executive budget request could not be continued beyond the 2009 biennium without the addition of significant state resources. Since the base program level in the executive request is about $5 to $6 million above the current annual grant amount, the 2007 Legislature might need to make changes to the CHIP program if it accepts the executive budget request as presented. On the other hand, if the legislature believes that federal funding for CHIP will be increased and that Montana will share in that increase, it could chose to expand CHIP beyond the level included in the executive budget.

The level of CHIP enrollment is an issue central to the discussion of the adequacy of federal funding that the legislature may consider. Figure 67 shows average monthly CHIP enrollment for the most recent state fiscal years. The 2005 Legislature appropriated the amount of funding requested by the executive, which was anticipated to support an enrollment of 13,900 children. Due to an increase in the premium charged by the contractor, the appropriation would have been adequate to fund an enrollment of 13,600. Although enrollment has increased nearly every month, it has consistently lagged the level funded by the 2005 Legislature. Current program enrollment stands at an average of 13,163 over the first five months of FY 2007. The executive budget is based on an enrollment level of 13,900 children.

Figure 67



The 2005 Legislature changed statute to allow DPHHS to self administer CHIP. HRD evaluated the benefits and risks of self administration. A major risk for self administration is the potential of cost over runs due to high cost cases. Contracting for a fully insured product shielded HRD from cost over runs, but increased program administrative costs.

LFD ISSUE

LFD staff has identified a number of issues for legislative consideration related to the executive budget request for CHIP. The issues are:

- Use of health and Medicaid initiative funds for a reserve fund and administrative costs does not comply with statute
- The need for a reserve fund should be closely evaluated
- The stated level of enrollment in the executive budget may not be achievable
- The level of enrollment in the executive budget as supported by funding may be higher than 13,900
- The overall cost of CHIP administration may be higher than when DPHHS contracted for a fully insured product

Health and Medicaid Initiatives Funds

Voters enacted I-149 in November 2004. The initiative raised tobacco taxes, established the health and Medicaid initiatives account to receive a portion of the tax increase, and specified the use of funds in the account, which include funding CHIP. The statute also includes two non supplantation tests for CHIP funds: 1) the level of state funds appropriated in the 2005 biennium; and 2) the level of enrollment in the 2005 biennium. Statute specifies that the funds may not "be used to support existing levels of enrollment based upon *appropriations* (emphasis added) for the biennium ending June 30, 2005 (53-6-1201(3)(a), MCA)".

The non supplantation language applies to appropriations rather than expenditures and the level of enrollment in CHIP in the 2005 biennium. CHIP enrollment was 10,631 and the state funding appropriations totaled about $6.1 million. The appropriations for CHIP were not fully expended that year and would have supported more than 10,631 children.

Legal Issues

Legal Services Division (LSD) staff has provided several legal opinions about the use of health and Medicaid initiatives account funds. The conclusions of the legal opinions were that account funds:

- Cannot be used for administrative costs or a reserve fund
- Must be used to increase enrollment levels above the 2005 biennium enrollment level
- Cannot be used to replace other state funding sources that contributed $6.1 million in the 2005 biennium

Figure 68 shows the executive budget request for CHIP and the calculation of the amount of state matching funds that should be paid from state sources other than account funds. The executive budget shifts about $3.0 million in state CHIP funds to the account which should be paid from other sources.

The amounts used in the calculation are drawn from the executive budget. The cost of providing services was based on enrollment of 10,631 times the annual benefit cost included in the executive budget.

Figure 68
Supplantation Calculation for Health and Medicaid Initiatives Account - CHIP Funding

Item	FY 2008	FY 2009
Costs That Cannot Be Paid from Account		
Personal Services	$883,609	$884,888
Operating Costs	1,374,511	1,408,983
Reserve Fund	1,700,000	0
Enrollment @ 10,631	19,544,260	20,819,783
Total Cost	$23,502,380	$23,113,654
Executive Budget Funding		
State Share of Costs that Cannot be Paid from Account	$5,154,072	$5,110,429
Non Account Funds in Executive Request	3,722,522	3,853,519
Total Account Funds in Excess of Statutory limits	$1,431,550	$1,256,910

LFD ISSUE CONT.

The legislature has several options to consider. It may choose to:

- Amend the non supplantation language in statute;
- Appropriate another source of state funds to offset the account funds in excess of statutory limits; or
- Evaluate and potentially revise the executive budget request to reduce the cost of providing services, thereby raising the amount of account funds that can be used to fund CHIP services.

Need for a Reserve Fund

The executive budget includes $1.7 million for a reserve fund to pay high cost cases if they should occur. When the state contracted for a fully insured product, the contractor assumed the risk that claims costs might exceed the revenue available to pay them. Now the state will assume that risk.

However, the need for a reserve fund should be closely evaluated. As noted previously, the legislature would need to change statute to include the claims reserve as an allowable use of health and Medicaid initiatives account revenues.

The need for a reserve fund may be mitigated by the following program characteristics:

- CHIP claims costs are limited to $1 million per child;
- It could be likely that a family could spend down its income and resources to pay high medical costs, making the unpaid balance eligible for Medicaid reimbursement; and
- CHIP enrollment could be reduced to provide revenues to pay high cost claims.

Level of Enrollment

CHIP enrollment levels have lagged behind levels anticipated by the 2005 Legislature. The average monthly FY 2006 enrollment was 12,019 compared to the 13,900 expected by the legislature, or about 13.5 percent lower. Premium increases in the fall of 2005 reduced the number of children that could have been covered by the FY 2006 appropriation to 13,600. However, enrollment was 1,300 below that level. Enrollment has not increased significantly in the first five months of FY 2007, averaging 13,170.

Enrollment gains have been slow, averaging 188 children per month in FY 2006 compared to 12 children per month in the first five months of FY 2007. A contributing factor to the FY 2007 slow down is a change in Medicaid eligibility for children authorized by the 2005 Legislature, which raised family asset limits from $3,000 to $15,000. That change will transition some children from CHIP to Medicaid because the families of some children covered by CHIP may have income within Medicaid limits (100 to 133 percent of the federal poverty level depending on the age of the child), but family resources in excess of $3,000.

DPHHS staff is tracking the number of children referred from CHIP to Medicaid to determine how many children who left CHIP were enrolled in Medicaid. There may be information available for legislative consideration during the session.

LFD ISSUE

In its review of the CHIP program appropriation request, the legislature may wish to consider the following issues:

- Is the enrollment goal funded in the executive request supported by the legislature?
- If so,
  - Will it be possible to achieve the enrollment level of 13,900 or more children in CHIP under current program outreach approaches and eligibility levels?
  - If not, what actions might be necessary to achieve that enrollment?
- If the legislature has an alternate enrollment goal, it may wish to take actions to effect that goal.
  - If the goal is lower than 13,900, the legislature may wish to consider reducing the CHIP budget request and use the state funds in other initiatives
  - If the goal is to raise enrollment, the legislature would face the same options as if it determines the executive budget enrollment level of 13,900 cannot be achieved without programmatic changes

Cost Increases for Self Administration

The 2005 Legislature enacted several statutory changes regarding the CHIP program, which included the authority for DPHHS to administer the program and a limitation on the premium amount of a fully insured product that could be used for administrative costs and profit of no more than 12 percent. A preliminary expectation was that DPPHS administration of CHIP would be more cost effective than contracting for a fully insured product, there by freeing up funds to insure more children.

Figure 69
Administrative and Services Cost Changes - Historic Compared to the 2009 Executive Budget Request for CHIP

Fiscal Year	Monthly Enrollment	Annual Rate of Change	Monthly Services Cost	Annual Rate of Change	Monthly Admin Cost	Annual Rate of Change
2000	3,412		$113.91		$13.95	
2002	9,471	66.6%	$119.20	2.3%	$8.02	-24.2%
2004	10,364	4.6%	$126.01	2.8%	$7.35	-4.3%
2006	12,019	7.7%	$135.55	3.7%	$7.53	1.3%
2008	13,900	7.5%	$153.20	6.3%	$13.55	34.1%
2009	13,900	0.0%	$163.20	6.1%	$13.77	1.6%

DPHHS began administering the CHIP program October 2006. The executive budget request for CHIP includes cost increases related to administration and services. Figure 69 shows the annual compounded rate of change for historic experience compared to the executive budget request.

As stated, prior to FY 2007, the state contracted for a fully insured product. Premium payments included funds for services costs, some administrative costs and profit. Combined increases in administrative and services costs were much lower under a fully insured product than those projected for self administration in the executive budget. For instance, the total cost per child covered in FY 2006 was $143.08 per month compared to $166.75 in FY 2008 and $176.97 in FY 2009. Historically, the annual growth rate was 1.6 percent to purchase a fully insured product compared to 7.3 percent annual growth rate for self administration.

HRD derived its average cost for CHIP services using the full premium amount paid in the base year. It did not estimate and remove the portion of premium payments that supported the insurer's administrative costs and profit. Premiums for a fully insured product include the insurer's administrative costs and an allowance for profit. Assuming the maximum allowable for administration and profit, FY 2006 claims amounts could be as much as $15 per month per child lower than listed in Figure 69. $15 per month is the portion of the premium that could be allocated to fund administrative costs and profits under the statutory cap. The remainder of the monthly premium ($120.55) is the portion that would support service costs. HRD trended the total premium cost forward as if it were entirely service costs. HRD treated the administrative portion of premiums as services costs when it developed service cost trends. Therefore its estimates for service costs are up to $2.5 million higher than necessary. The executive budget would have funding sufficient to insure up to another 1,300 children each year.

LFD ISSUE CONT.

DPHHS began paying claims costs in October 2006. LFD staff will evaluate the most recent data when the legislature considers the executive budget request. Based on that review and information presented in Figure 69, the legislature may wish to modify:

- o CHIP appropriation levels
- o Expected enrollment levels
- o Administrative cost requests

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2009 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					120,097					121,175
Vacancy Savings					(27,583)					(27,627)
Inflation/Deflation					2,543					2,570
Fixed Costs					8,197					10,629
Total Statewide Present Law Adjustments					**$103,254**					**$106,747**
DP 11006 - CHIP FMAP Match Rate	0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)	0
DP 11009 - CHIP Enrollment	0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929	3,137,449
Total Other Present Law Adjustments	**0.00**	**($262,626)**	**$924,449**	**$2,475,626**	**$3,137,449**	**0.00**	**($269,432)**	**$874,376**	**$2,532,505**	**$3,137,449**
Grand Total All Present Law Adjustments					**$3,240,703**					**$3,244,196**

<u>DP 11006 - CHIP FMAP Match Rate -</u> This request adds $0.7 in tobacco settlement funds over the biennium and reduces federal funds by the same amount because the federal match rate declines from 79.62 percent in the base budget year to 78.07 percent in FY 2008 and 77.89 percent in FY 2009.

<u>DP 11009 - CHIP Enrollment -</u> This request adds $1.1 million state special revenue from tobacco settlement revenue and from the health and Medicaid initiatives account and $5.7 million in federal funds over the biennium to fund increased enrollment in CHIP.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: CHIP has actively recruited over the past year and has seen a steady increase in enrollment. The CHIP program is partially funded with tobacco tax revenue from the health and Medicaid initiatives account. This decision package provides the appropriation authority for the projected cash flow in FY 2008 and FY 2009.

Goals: The goal is to increase the number of Montana children at or below 150 percent of the federal poverty level who are insured by:

- o Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- o Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- o Determining potential Medicaid eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance for Medicaid eligibility determination

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, and quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP has 13,220 children enrolled as of November 2006.

FTE: No additional FTE are needed.

Funding: The program is funded through tobacco tax revenue deposited to the health and Medicaid initiatives account and federal grant funds.

Obstacles:

- Some Montana families may believe their children would not be eligible for CHIP.
- Some Montana families may not be interested in enrolling their children in a publicly funded health insurance plan

Risks: Federal government participation (either though reductions in grant awards or matching requirements) could decline causing more costs to be absorbed by the state. This reduction could be mitigated by the authorizing statute which allows the state to adjust eligibility criteria or benefits to match the appropriation (53-4-1004(4), MCA). CHIP is not an entitlement program.

LFD COMMENT The goals and performance criteria aptly apply to CHIP enrollment, but don't follow the specific, measurable, attainable, realistic and time-bound (SMART) criteria. But, beyond adding children to CHIP, the legislature has no other data with which to evaluate the worth of appropriations supporting CHIP services. Declining federal participation is always a risk in a federally funded program. Other program risks, including the challenge of enrolling children up to the funded level, are not mentioned, yet enrollment has proven a significant challenge this biennium.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11013 - CHIP Self Administration										
02	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
Total	**5.00**	**$0**	**$1,236,420**	**$4,401,611**	**$5,638,031**	**5.00**	**$0**	**$1,246,569**	**$4,391,462**	**$5,638,031**

<u>DP 11013 - CHIP Self Administration -</u> This decision package requests $11.3 million over the biennium for 5.00 FTE and start-up costs for the department to self-administer the CHIP program. The state match is funded from the health initiatives and Medicaid account.

The new FTE would provide customer service, provider enrollment/support, contract, and claims monitoring, inpatient pre-certification, prior authorization, and data management. Funding is included for programming changes to the data system to accommodate self-administration. Finally, the request includes a $1.7 million reserve account to pay unanticipated, high-cost medical claims.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: HRD included language identical to the description of the proposal as the justification.

Goals: Decrease the administrative costs of providing health insurance to children enrolled in CHIP. Decrease the number of Montana children at or below 150 percent of the federal poverty level (FPL) who are uninsured by:

- Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- Determining Medicaid potential eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP had 13,220 children enrolled as of November 2006.

FTE: The decision package requests funding for 5.00 FTE to perform administrative services which are currently performed by Montana Blue Cross Blue Shield employees and to provide contract management services.

Funding: The program is funded through tobacco tax revenue deposited in the health initiatives and Medicaid account and federal grant funds.

Obstacles: Extensive work needs to be done to enroll providers, pay claims at rates equivalent to current CHIP rates, hire and train DPHHS staff, and assure continuous access to health care services for CHIP children.

Risks: Federal participation (either though reductions in grant awards or matching requirements) could possibly decline causing more costs to be absorbed by the state. Federal funding declines can be mitigated by adjustments to eligibility criteria or benefits to match the appropriation (53-4-1004(4), MCA). CHIP is not an entitlement program.

LFD COMMENT

The justification does not comment on why the proposal is before the legislature. The goals are related to the expenditure request, but how the goals will be measured is not specified, the performance criteria are general, and the milestones are not related to the goals and performance criteria. As discussed previously, the executive budget does not have sufficient documentation to determine the per child administrative cost included in the appropriations. Declining federal participation is always a risk in a federally funded program. Other program risks, including the challenge of enrolling children up to the funded level, is not mentioned and have proven a significant challenge this biennium.

Sub-Program Details

CHILDREN'S MENTAL HEALTH SERVICES 03

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	589,324	258,996	0	848,320	261,133	0	850,457	1,698,777
Operating Expenses	1,400,419	2,757	0	1,403,176	3,401	0	1,403,820	2,806,996
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	59,417,489	10,488,872	1,759,709	71,666,070	15,195,641	1,759,709	76,372,839	148,038,909
Total Costs	**$61,596,510**	**$10,750,625**	**$1,759,709**	**$74,106,844**	**$15,460,175**	**$1,759,709**	**$78,816,394**	**$152,923,238**
General Fund	17,165,351	4,315,335	200,000	21,680,686	5,868,656	200,000	23,234,007	44,914,693
State/Other Special	1,252,354	590,432	489,593	2,332,379	392,028	491,152	2,135,534	4,467,913
Federal Special	43,178,805	5,844,858	1,070,116	50,093,779	9,199,491	1,068,557	53,446,853	103,540,632
Total Funds	**$61,596,510**	**$10,750,625**	**$1,759,709**	**$74,106,844**	**$15,460,175**	**$1,759,709**	**$78,816,394**	**$152,923,238**

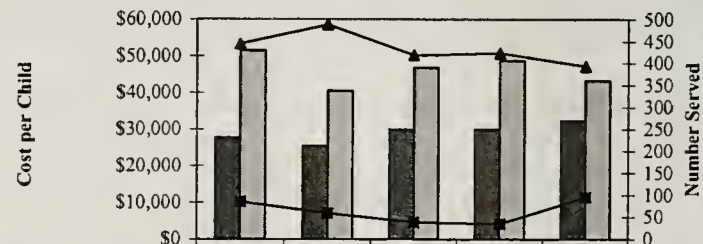
The 2009 biennium budget request for children's mental health services grows $29.7 million, including $10.6 million general fund, compared to base budget expenditures. The most significant increase supports anticipated growth in Medicaid costs - $23.2 million in total funds and $7.3 million general fund. Provider rate increases add $3.1 million total funds and $1.0 million from the health and Medicaid initiatives state special revenue account. The reduction in the federal Medicaid match rate adds $2.5 million general fund and reduces federal funds by a like amount.

LFD COMMENT

In previous sessions, the legislature has expressed concern about the number of children placed in high end services and the number of children placed out of state. In the 2005 biennium, the legislature specifically directed DPHHS to collaborate with other agencies and providers to address the high cost children's cases with the goal of developing appropriate services close to the home community of the child.

Figure 70

Children's Mental Health
Cost per Child and Number Served
Out of State vs In State



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Cost In State	$27,683	$25,389	$29,945	$29,993	$32,231
Cost Out of State	$51,449	$40,500	$46,818	$48,724	$43,269
In State Placements	444	488	418	423	393
Out of State Placements	85	59	38	35	95

Figure 70 shows the number of children served in residential treatment centers (RTCs). The figure compares the number of out of state placements to the number of instate placements and the average cost per child for out of state services compared to in state services. The total number of children placed in RTCs declined from 529 to 456 in FY 2004, when it began to gradually increase. In FY 2006, the total reached 488, still below the number in FY 2002.

Figure 70 also shows the per child cost over the same time period. The cost per child for an in-state placement has risen from FY 2002 to FY 2006, from $27,683 annually to $32,231 in FY 2006. Out-of-state placement costs have fallen and risen, but the FY 2006 cost of $43,269 is below the FY 2002 cost of $51,449.

LFD ISSUE Despite the overall decrease in children placed in RTCs since FY 2002, recent experience in out-of-state placements is not favorable, rising from a low of 35 children in FY 2005 to 95 in FY 2006. This increase occurred despite efforts to develop community structures (Kids Management Authorities – KMAs) to help maintain children in their homes if possible and within their local community if they need services outside their home. The legislature may wish to request that HRD provide its plan to help stem the increase in out of state placements and it may wish to request that HRD provide progress reports during the interim.

LFD ISSUE The federal Centers for Medicare and Medicaid Services has required some states, including Colorado, to change its method of Medicaid billing practices for children's mental health services. CMS is requiring some states to "unbundled" rates, which means that providers must bill for discrete units of service rather than an amount that reimburses a number of activities. The Montana developmental disability (DD) system is completing its multi year effort to unbundled Medicaid rates, which has cost at least $1 million in consulting fees and resulted in requests for rate increases in excess of 9.0 percent for Medicaid funded services.

Montana children's mental health providers met with Colorado providers to understand the implications of unbundling rates in the Montana system. Legislative staff has requested that HRD address this issue with the legislature and assess what impacts might be expected if Montana is required to unbundled rates.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					294,343					296,569
Vacancy Savings					(35,347)					(35,436)
Inflation/Deflation					473					502
Fixed Costs					2,284					2,899
Total Statewide Present Law Adjustments					**$261,753**					**$264,534**
DP 11002 - Medicaid Caseload - Children's Mental Health	0.00	2,900,429	0	6,339,548	9,239,977	0.00	4,393,079	0	9,557,633	13,950,712
DP 11005 - FMAP MATCH Rate for FY2008/FY2009	0.00	1,218,058	0	(1,218,058)	0	0.00	1,277,476	0	(1,277,476)	0
DP 11007 - Medicaid Tobacco Portion -I-149	0.00	0	392,028	856,867	1,248,895	0.00	0	392,028	852,901	1,244,929
DP 11031 - CMH - Direct Care Wage Biennial	0.00	0	198,404	(198,404)	0	0.00	0	0	0	0
Total Other Present Law Adjustments	**0.00**	**$4,118,487**	**$590,432**	**$5,779,953**	**$10,488,872**	**0.00**	**$5,670,555**	**$392,028**	**$9,133,058**	**$15,195,641**
Grand Total All Present Law Adjustments					**$10,750,625**					**$15,460,175**

<u>DP 11002 - Medicaid Caseload - Children's Mental Health -</u> This proposal adds $24.2 million total funds over the biennium, including $7.3 million general fund for increases in children's mental health Medicaid services. Base level expenditures were $54.7 million total funds including $15.2 million general fund.

LFD COMMENT Figure 71 shows the total children's health Medicaid budget request compared to base budget expenditures. The FY 2008 budget request rises at annual growth rate of 14.4 percent compared to FY 2006 costs and the FY 2009 request grows at 11.8 percent annually from the base budget. These growth rates are in excess of other Medicaid services administered by HRD. Hospital costs, not including the utilization fee, grow at 6.5 percent and 5.4 percent for FY 2008 and FY 2009 respectively and pharmacy costs grow 8.1 and 9.1 percent.

Figure 71
2009 Biennium Executive Budget Request - Children's Mental Health Services

	FY 2008 Budget Request				FY 2009 Budget Request				Percent
Services and Budget Changes	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total
Children's Mental Health Services Base Cost	$15,247,280	$1,252,354	$38,215,408	$54,715,042	$15,247,280	$1,252,354	$38,215,408	$54,715,042	71.6%
DP 11002 Caseload Increase	2,900,429	0	6,339,548	9,239,977	4,393,079	0	9,557,633	13,950,712	18.3%
PL 11005 FMAP Match Rate for 08/09	1,218,058	0	(1,218,058)	0	1,277,476	0	(1,277,476)	0	0.0%
PL 11007 Medicaid Tobacco Portion I-149	0	392,028	856,867	1,248,895	0	392,028	852,901	1,244,929	1.6%
NP 11501 Provider Rate Increases	0	489,593	1,070,116	1,559,709	0	491,152	1,068,557	1,559,709	2.0%
NP 11901 System of Care Sustainability	200,000	0	0	200,000	200,000	0	0	200,000	0.3%
Case Management Services	1,374,015	0	3,328,432	4,702,447	1,374,015	0	3,328,432	4,702,447	6.2%
Subtotal Children's Mental Health Services	$20,939,782	$2,133,975	$48,592,313	$71,666,070	$22,491,850	$2,135,534	$51,745,455	$76,372,839	100.0%
Annual Growth Rate of from Base	17.2%	30.5%	12.8%	14.4%	13.8%	19.5%	10.6%	11.8%	
Cost of 2.5% Provider Rate Increase*	$0	$548,590	$1,199,069	$1,747,659	$0	$587,392	$1,277,936	$1,865,328	2.4%
Additional Funding Needed	0	58,997	128,953	187,950	0	96,240	209,379	305,619	
Biennial Total					$0	$155,237	$338,332	$493,569	

*The provider rate increase is not applied to the system of care sustainability request.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This request reflects the caseload growth in children's mental health. Failure to account for changes in caseload would materially misstate present law service costs.

Goal: Continue to provide high quality services to about 9,500 seriously emotionally disturbed Medicaid eligible children who require the level of medical services provided by this program. To the extent possible, the department will control the growth of these Medicaid entitlements so they don't consume unnecessary resources by aggressively managing the program and investing in program areas that promote cost avoidance.

Performance Criteria: Eligible individuals will continue to receive appropriate care as authorized by program rules. Staff will monitor program budgets monthly to insure that program is operating within funding levels as appropriated and utilization is consistent with expected program growth rates.

Milestones: The program will monitor budget activity monthly and annually to operate program expenditures within appropriated funding levels over the course of the biennium.

FTE: No additional FTE will be required for this increase in caseload for these services.

Funding: The funding for this proposal is at the Medicaid program matching rate of about 31 percent state general fund and about 69 percent federal.

Obstacles: Shortages of provider resources who are willing and able to provide these services are an issue. Continuation of provider rate increase and provider rate adjustments focused at health care workers such as the direct care wage initiatives approved in the 2005 legislative session can help in assuring access to care.

Risk: If increases in funding are not approved it is expected that expenditures will exceed the budgeted authority as demand for services rises and as more children become eligible and access services. If resources are not available to meet the increased demand, modifications or reductions to the services package that can be offered will result. Cutting services is not a recommended option, since services have been limited to those which are required and necessary to maintain a viable Medicaid program.

LFD COMMENT The executive budget includes the same language for the evaluation criteria in all significant Medicaid adjustments. Program goals are broad, general, and unrelated to children's mental health outcomes. Performance criteria do not measure whether the goal of funding high quality care is achieved nor whether the right services are delivered at the right time.

In public presentations, children's mental health staff has outlined numerous challenges related to providing appropriate community services, bringing children home from out of state placements and development of local kids' management authorities. None of the items important to program issues or elements are referenced in the executive budget.

<u>DP 11005 - FMAP MATCH Rate for FY2008/FY2009 -</u> This decision package reflects the reduction in federal Medicaid match rate (FMAP). In total, the FMAP adjustment adds $14.5 million in general fund and reduces federal funds by a like amount. Most of the change is for state plan services, which rises by $12.0 million general fund with a like reduction in federal funds. This adjustment also adds $2.5 million in general fund for children's mental health services and reduce federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11007 - Medicaid Tobacco Portion -I-149 - This request reduces general fund by $0.2 million each year and increases health and Medicaid initiatives state special revenue by $2.9 million each year to annualize provider rate increases and service expansions authorized by the 2005 Legislature. The state match for rate increases was partially funded from general fund in the base year, but fully funded from state special revenue in FY 2007. This request would also provide the state matching funds for the eligibility change in FY 2007 authorized in 53-6-113(6), MCA, which established resource limits for Medicaid eligibility for children at $15,000.

DP 11031 - CMH - Direct Care Wage Biennial - This request would fund the federal match rate change for direct care worker wage increase in children's mental health services funded by the 2005 Legislature. This request increases health and Medicaid initiative account funds by $213,085 over the biennium and reduces federal funds by a like amount.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11501 - Provider Rate Increases										
03	0.00	0	489,593	1,070,116	1,559,709	0.00	0	491,152	1,068,557	1,559,70[illegible]
DP 11901 - System of Care Sustainability										
03	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,00[illegible]
Total	**0.00**	**$200,000**	**$489,593**	**$1,070,116**	**$1,759,709**	**0.00**	**$200,000**	**$491,152**	**$1,068,557**	**$1,759,70[illegible]**

DP 11501 - Provider Rate Increases - This request adds $10.5 million, including $2.3 million from the health and Medicaid initiatives state special revenue account for a 2.5 percent provider rate increase in FY 2008. Part of the rate increase is allocated to state plan services ($7.3 million, including $2.3 million state funds) and the remainder is allocated to children's mental health services ($3.1 million, including $1.0 million state funds).

LFD ISSUE

The executive request for the provider rate increase in FY 2009 is not sufficient to cover the cost of continuing the rate increase when caseload and service utilization increases are considered. Additionally, if all mental health services for children, including targeted case management, are to receive a rate increase, the amount requested in the executive budget is sufficient to fund an increase of 2.23 percent in FY 2008 and 2.09 percent in FY 2009.

DP 11901 - System of Care Sustainability - This request adds $400,000 general fund for the biennium for system of care (SOC) sustainability. The SOC infrastructure is a network of local interagency teams known as Kids Management Authorities (KMA's) and a state level oversight committee. Currently, the state is overseeing the administration of the third year of a six-year federal grant that is matched by local funds from the KMA. This grant is intended to help local communities establish a system of care for children who need mental health services, particularly those children with serious emotional disturbances. This funding would assist the state in providing leadership in the development of KMA's in local communities. KMA teams are multi-agency community organizations made up of parents, youth, state agencies serving youth, other programs who serve Montana's youth, such as juvenile justice, schools, community leaders, Tribal representatives, providers and advocates.

LFD COMMENT

The legislature may want to request performance and outcome measures if it approves this request. In some areas of the state KMAs are up and functioning, while development of KMAs lags in other areas. The legislature could also request that HRD provide an evaluation of the proposal.

LFD staff has asked whether this funding could be used as matching funds for the federal grant that HRD received to support development of the system of care. LFD has also asked HRD to explain the amount of matching funds required for the grant by fiscal year and to show where the source of match is funded in the executive budget.

Sub-Program Details

PRESCRIPTION DRUG PROGRAM 05

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	233,497	168,208	0	401,705	169,743	0	403,240	804,945
Operating Expenses	491,210	5,132	0	496,342	6,455	0	497,665	994,007
Benefits & Claims	206,364	7,645,589	0	7,851,953	7,642,731	0	7,849,095	15,701,048
Total Costs	**$931,071**	**$7,818,929**	**$0**	**$8,750,000**	**$7,818,929**	**$0**	**$8,750,000**	**$17,500,000**
State/Other Special	931,071	7,818,929	0	8,750,000	7,818,929	0	8,750,000	17,500,000
Total Funds	**$931,071**	**$7,818,929**	**$0**	**$8,750,000**	**$7,818,929**	**$0**	**$8,750,000**	**$17,500,000**

The Big Sky Rx program helps Medicare eligible persons with incomes below 200 percent of the federal poverty level pay the monthly premium cost for Medicare Part D drug coverage. Currently, Big Sky Rx participants can receive $33.11 per month toward a premium payment. The program was initiated by the 2005 Legislature in response to the citizen passed initiative in November 2004 (I-149) that raised taxes on tobacco products and specified how the funds could be used, including prescription drug assistance for low-income persons (53-6-1201(2)(b), MCA).

LFD ISSUE

Big Sky Rx enrollment was 3,196 in October 2006. Big Sky Rx would need to expand about 422 percent in the final seven months of FY 2007 to be on track to spend at levels included in the 2009 biennium executive budget (19,672 in FY 2008). HRD has run an outreach campaign using print, radio, and television media to advertise Big Sky Rx. However, the eligible population has proven difficult to reach.

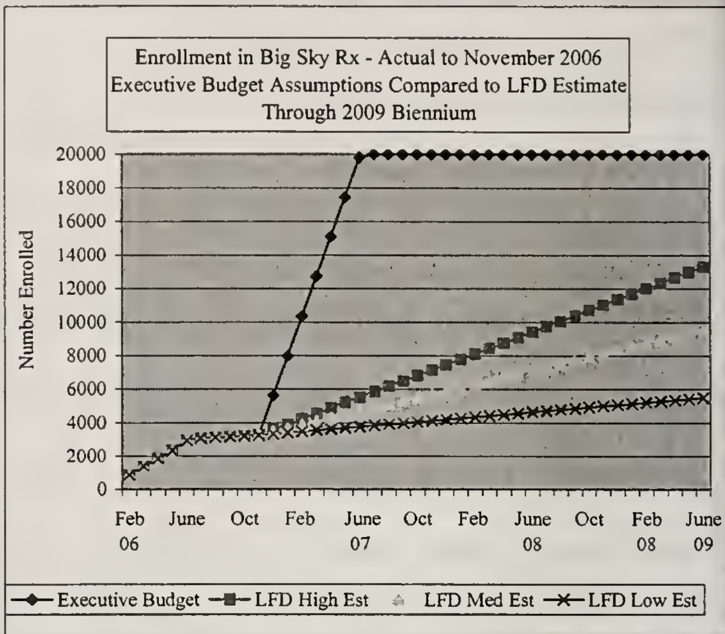
The executive budget appears to be based on a fixed dollar request for the Big Sky Rx program, with the number of beneficiaries that would actually enroll a best guess. LFD staff requested the documentation supporting the executive budget request for Big Sky Rx. The following quotation is the documentation provided by HRD.

The estimate of 20,000 is a reasonable estimate as seniors apply for the program. HRD currently does not have specific information from Social Security or Medicare regarding the number of beneficiaries who may meet our income guidelines because the information is not shared by either Social Security or Medicare with states. It is hard to make educated estimates without this information so 20,000 by 2009 remains our best estimate.

LFD ISSUE CONT.

Figure 72 shows the actual enrollment in Big Sky Rx through October 2006 and several LFD estimates through the end of FY 2009. There would need to be a significant increase in enrollment over the next seven months to achieve the FY 2008 level funded by the executive budget. Enrollment in Big Sky Rx would need to grow by 16,556 persons over the next seven months, adding about 2,400 persons each month, to reach the executive budget level of 19,762. The single largest monthly increase was the initial enrollment at 862, with an average enrollment of 355 over the first nine months of program operation.

Figure 72



LFD staff developed high, medium and low scenario enrollment estimates for Big Sky Rx. The LFD scenarios assume that average monthly premium assistance remains at $33.11 throughout the 2009 biennium. The high, medium and low scenarios assume different monthly enrollment increases, using different combinations of actual program experience. The high scenario assumes that enrollment grows at the average increase over the first nine months of program experience (355 persons each month) through the end of the 2009 biennium. The medium and low scenarios use various combinations of recent enrollment trends, but above the most recent four month average of 72 enrollees per month.

Figure 73 shows the 2007 biennium appropriations and expenditures for Big Sky Rx compared to the executive request and the funding necessary to support the LFD high enrollment scenario. The high scenario estimate assumes a Big Sky Rx annual enrollment of 8,340 in FY 2008 and 11,710 in FY 2009, significantly below the executive budget assumptions. The LFD high scenario estimate is $8.4 million lower over the biennium than the executive request, while the LFD medium enrollment scenario is $11.9 million lower.

Figure 73
2007 and 2009 Biennia Big Sky Rx Costs and Funding
Executive Budget Request Compared to LFD High Scenario Estimate

Funding/Expenditures	FY 2006	FY 2007	FY 2008	FY 2009
Funding				
Start Up Appropriations	$1,962,756	$3,207,484	$765,244	$765,244
Regular Appropriation	6,000,000	8,500,000	8,570,000	8,500,000
Total Funding	$7,962,756	$11,707,484	$9,335,244	$9,265,244
Administration*	$724,707	$1,977,178	$898,047	$900,905
Benefits**	206,364	2,884,146	7,851,953	7,849,095
Total Expenditures	$931,071	$4,861,324	$8,750,000	$8,750,000
Annual Change from Base Budget		422.1%	206.6%	111.0%
Appropriation Balance Remaining	$7,031,685	$6,846,160		
LFD Benefit Expenditure Estimate - High			$3,026,386	$4,249,238
Executive Over (Under) LFD			$4,825,567	$3,599,857
Biennial Amount				$8,425,423

*Administrative portions of the appropriation were assumed to be fully expended in FY 2007.
**Benefits were estimated as if there were steady enrollment to reach the level funded in the executive request beginning in FY 2008, which appears to be highly unlikely.

If the legislature opts to fund the executive budget request as it is submitted, it might want to consider restricting the appropriation to support Big Sky Rx. Otherwise, there could be significant appropriation authority in the DPHHS budget to implement health policy initiatives not considered by the legislature.

The legislature may wish to reduce the appropriation to continue Big Sky Rx if it decides that enrollment will lag executive expectations. Even if the legislature funded Big Sky Rx for a gradual increase in enrollment up to a certain level by the end of FY 2009, that decision would free up health and Medicaid initiatives funds and allow the legislature to support its own policy initiatives. The health and Medicaid initiatives account must be used for specific purposes as explained in the agency narrative. The fund balance estimate for the account is also shown in the agency narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					184,947					186,544
Vacancy Savings					(16,739)					(16,801)
Inflation/Deflation					341					368
Fixed Costs					4,791					6,087
Total Statewide Present Law Adjustments					**$173,340**					**$176,198**
DP 11008 - Big Sky Rx Base Adjustment	0.00	0	7,645,589	0	7,645,589	0.00	0	7,642,731	0	7,642,731
Total Other Present Law Adjustments	**0.00**	**$0**	**$7,645,589**	**$0**	**$7,645,589**	**0.00**	**$0**	**$7,642,731**	**$0**	**$7,642,731**
Grand Total All Present Law Adjustments					**$7,818,929**					**$7,818,929**

Statewide present law adjustments are predominantly for personal services. The program was authorized by the 2005 Legislature and ramped up the first six months of FY 2006. Although all but 1.00 of the 9.00 funded FTE has been filled, there were partial year vacancies during FY 2006 so the personal services adjustment is significant for a program of this size.

<u>DP 11008 - Big Sky Rx Base Adjustment -</u> This decision package requests $7.6 million each year of the biennium from the health and Medicaid initiatives account.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The Big Sky Rx program was started in January 2006. Base year expenditures reflect only a partial fiscal year's worth of costs, since the Medicare Part D program was implemented January 1, 2006. The program, funded through the health and Medicaid initiatives account, pays up to $33.11 per month for the Medicare prescription drug plan monthly premium. HRD anticipates an estimated 20,000 individuals would be enrolled at this funding level.

Goals: The program has established the program infrastructure and is making premium assistance payments. The base adjustment is necessary to reach full service capacity for 20,000 individuals.

Performance Criteria: Big Sky Rx monthly enrollment reports as well as quarterly fiscal performance reports are produced and evaluated.

Milestones: The program hopes to reach full capacity to serve 20,000 individuals by the end of FY 2009.

FTE: Eight of the 9.00 FTE funded for the program have been hired with one position still vacant. The vacant position would manage a rebate program from drug manufacturers to fund other prescription drug assistance programs. The FTE which are filled are:

1) Pharmacy assistance supervisor
1) Program officer
1) Analyst
1) Media outreach officer
4) Eligibility specialists

Funding: The program is funded through tobacco tax revenue from I-149. To date HRD has spent $931,071 of the $8.0 million FY 2006 appropriation.

Obstacles: Enrollment has been rising slower than anticipated. The Medicare beneficiary population eligible for Big Sky Rx has been proven hard to reach both statewide and on a national basis. Medicare Part D has been very confusing to beneficiaries and the May 15, 2006 end of open enrollment negatively affected Big Sky Rx enrollment.

Risks: Big Sky Rx would not continue to pay Medicare Part D premiums to those Montanans currently enrolled and would not be able to pay premiums for the remainder of the 20,000 potential enrollees. Many of these individuals would not/may not be able to pay the out-of-pocket premium and would not receive the Part D prescription drug benefit and might go without prescription drugs.

LFD COMMENT

The goal and performance criteria are very general. The stated risks could occur even if the legislature approves the increase requested in the executive budget.

The legislature may wish to ask for enrollment goals and milestones and determine the appropriation based on those goals and milestones. The legislature may also wish to request progress reports to a standing interim committee.

The legislature may also wish to evaluate staffing and administrative cost needs since the projected enrollment is significantly below expectations and the staffing levels were based on the higher, anticipated enrollment level.

Sub-Program Details

PREMIUM ASSISTANCE PROGRAM 06

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
Personal Services	0	44,059	0	44,059	44,104	0	44,104	88,163
Total Costs	**$0**	**$44,059**	**$0**	**$44,059**	**$44,104**	**$0**	**$44,104**	**$88,163**
General Fund	0	286	0	286	308	0	308	594
State/Other Special	0	21,744	0	21,744	21,744	0	21,744	43,488
Federal Special	0	22,029	0	22,029	22,052	0	22,052	44,081
Total Funds	**$0**	**$44,059**	**$0**	**$44,059**	**$44,104**	**$0**	**$44,104**	**$88,163**

This program was funded by the 2005 Legislature, but not initiated during the 2007 biennium. It is contingent on federal approval of the HIFA waiver, which is discussed in greater detail in the Director's Office budget analysis.

The HIFA waiver was initially proposed by the Medicaid redesign group that met during the 2005 biennium. The 2005 Legislature approved the waiver concept and funding for components of the waiver. Due to extensive state review of the waiver, including evaluation by the Governor's Office, the waiver was not submitted for federal review until July 21, 2006. DPHHS began responding to federal inquiries in early October and received 65 questions from federal reviewers in early November 2006.

This component of the HIFA waiver would allow federal Medicaid funding to provide premium assistance for up to 260 persons with incomes under 150 percent of the federal poverty level who are participating in the Montana Comprehensive Health Association (MCHA - high risk state pool for persons who have been refused coverage in the private market).

The HRD funding request supports an FTE to administer the program. The funding for expanded premium assistance is requested in the State Auditor's budget ($2 million in health and Medicaid initiatives account over the biennium). HIFA waiver funding is estimated to provide services to 200 people currently participating in MCHA and an additional 60 persons from the waiting list. The total funding anticipated for the program is $3.9 million over the five year waiver and the total services anticipated would be 1,800 months of insurance premium assistance per year.

The proposal is funded from the health and Medicaid initiatives account and federal Medicaid funds.

LFD ISSUE

The program should not include general fund as part of the state match. The legislature can replace the general fund with state special revenue if it wishes.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					45,895					45,942
Vacancy Savings					(1,836)					(1,838)
Total Statewide Present Law Adjustments					**$44,059**					**$44,104**
Grand Total All Present Law Adjustments					**$44,059**					**$44,104**

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	193.44	0.00	10.30	203.74	0.00	9.30	202.74	202.74
Personal Services	8,156,927	1,006,877	364,165	9,527,969	1,097,379	504,014	9,758,320	19,286,289
Operating Expenses	6,057,344	921,577	434,974	7,413,895	934,369	168,900	7,160,613	14,574,508
Equipment	100,165	0	40,000	140,165	0	0	100,165	240,330
Capital Outlay	0	0	0	0	0	0	0	0
Grants	7,160,481	0	1,292,000	8,452,481	0	692,000	7,852,481	16,304,962
Benefits & Claims	198,773,021	8,427,196	7,968,661	215,168,878	11,592,362	7,969,032	218,334,415	433,503,293
Transfers	0	0	0	0	0	0	0	0
Debt Service	9,741	3,030	0	12,771	3,300	0	13,041	25,812
Total Costs	**$220,257,679**	**$10,358,680**	**$10,099,800**	**$240,716,159**	**$13,627,410**	**$9,333,946**	**$243,219,035**	**$483,935,194**
General Fund	46,295,501	2,603,310	2,309,174	51,207,985	3,164,836	1,721,360	51,181,697	102,389,682
State/Other Special	22,385,363	6,555,989	2,156,601	31,097,953	7,341,465	2,289,071	32,015,899	63,113,852
Federal Special	151,576,815	1,199,381	5,634,025	158,410,221	3,121,109	5,323,515	160,021,439	318,431,660
Total Funds	**$220,257,679**	**$10,358,680**	**$10,099,800**	**$240,716,159**	**$13,627,410**	**$9,333,946**	**$243,219,035**	**$483,935,194**

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long term care issues to Montanans of all ages. The division makes services available through six major programs:

11. The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;
12. Medicaid Community Services Program pays for in-home, personal assistance, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
13. Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 94 Montana nursing homes;
14. Protective services, including the investigation of abuse, neglect and exploitation, are provided by adult protective services social workers;
15. Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and
16. The State Supplemental Payments Program pays for a portion of the room and board costs for Supplemental Security Income (SSI) eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veterans' Homes, 10-2-401, MCA (authorizes and establishes Montana Veterans' Homes); 53-1-602, MCA (Eastern Montana Veterans' Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division
Major Budget Highlights

- The total division increase is $36.4 million over the 2009 biennium compared to the 2007 biennium, including a net increase of $8.7 million general fund and $15.9 million state special revenue
- Medicaid services grow $33.5 million total funds, including $9.1 million general fund and $10.7 million state special revenue, with the following expansions and contractions
  - Largest increase is due to annualization of expansions authorized by the 2005 Legislature ($18.0 million total funds, including $7.7 million in state special revenue and a net reduction of $1.6 million general fund)
  - Medicaid cost increases partially offset by projected ongoing declines in nursing home services ($3.8 million, including $0.9 million general fund)
- Increases of $4.8 million for veterans' homes, funded almost entirely out of cigarette tax funds and for the support of the Montana Veterans' Home, including funding for 5.80 FTE and several remodeling and facility upgrades
- Reinstatement of $1.7 million general fund for Meals on Wheels and in-home care giver services, which were authorized as one-time-only appropriations by the 2005 Legislature, and a $0.3 million increase for meal programs

Major LFD Issues

- LFD estimate of nursing home present law caseload (bed days) declines at an annual rate of 1.5 percent, resulting in a $0.6 million state funding difference from the executive estimate
- Funding for Medicaid nursing home costs lacks transparency, making it difficult to determine general fund amounts necessary to support the executive budget
- Transitions from nursing facilities into community waiver services has declined over the last three years
- Veterans' homes cigarette tax ending fund balance
  - Significant increases in spending that match revenue growth due to the 2005 cigarette tax increase
  - Use of ending fund balance if federal revenue and private revenue are insufficient to fund 2007 biennium costs
  - Significant increase (30 percent annual growth rate) in statewide and agency indirect costs charged to the veterans' cigarette tax revenue
  - Beyond LFD staff time and resources available during budget analysis to fully evaluate
- Internal DPHHS estimates of reimbursement for Montana Veterans' Homes is $2.4` million higher than funding included in the budget request and could offset cigarette tax funding

SLTC Division Budget

Figure 74 shows the SLTC base budget compared to the executive request for each year of the 2009 biennium by major function and for each benefit and grant. Medicaid services account for 90.2 percent of the total division budget request in FY 2009 and Medicaid nursing home services are the largest budgetary item, accounting for almost two thirds of the FY 2009 budget request.

Figure 74

Senior and Long-Term Care Division 2006 Base Budget Expenditures and 2009 Biennium Executive Budget Request by Major Function and Service

	FY 2006 Base Budget				FY 2008 Executive Budget Request				FY 2009 Executive Budget Request				
Function and Benefits and Grants	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	% of Total
Division Administration	$156,580	$48,280	$145,409	$350,269	$156,811	$48,394	$145,629	$350,834	$158,226	$48,845	$146,942	$354,013	0.1%
Medicaid Services	42,494,853	16,143,044	141,185,498	199,823,395	45,597,591	22,991,787	147,568,463	216,157,841	46,129,349	23,748,773	149,427,975	219,306,097	90.2%
Aging Services	2,106,765	0	6,723,629	8,830,394	3,606,305	0	7,124,368	10,730,673	3,032,250	0	6,832,348	9,864,598	4.1%
Veterans' Homes	0	5,949,799	3,127,553	9,077,352	0	7,739,579	3,174,668	10,914,247	0	7,901,700	3,215,782	11,117,482	4.6%
Adult Protective Srvcs	1,537,303	244,240	394,726	2,176,269	1,847,278	318,193	397,093	2,562,564	1,861,872	316,581	398,392	2,576,845	1.1%
Total Division	$46,295,501	$22,385,363	$151,576,815	$220,257,679	$51,207,985	$31,097,953	$158,410,221	$240,716,159	$51,181,697	$32,015,899	$160,021,439	$243,219,035	100.0%
Percent of Total	21.0%	10.2%	68.8%	100.0%	21.3%	12.9%	65.8%	100.0%	21.0%	13.2%	65.8%	100.0%	
Compounded Annual Rate of Change from FY 2006 Base					5.2%	17.9%	2.2%	4.5%	3.4%	12.7%	1.8%	3.4%	
Benefits													
Medicaid													
Nursing Homes	$28,853,174	$11,945,550	$98,395,698	$139,194,422	$29,949,114	$16,197,103	$102,593,541	$148,739,758	$29,891,816	$16,133,889	$99,649,653	$145,675,358	59.9%
IGT	0	1,912,098	4,578,392	6,490,490	0	3,030,958	3,645,651	6,676,609	0	3,816,586	7,459,004	11,275,590	4.6%
Home Based Services	6,111,838	1,867,551	19,285,169	27,264,558	7,084,542	2,155,245	20,040,195	29,279,982	7,084,542	2,158,387	21,110,447	30,888,378	12.7%
Waiver Services	6,595,771	395,891	16,846,130	23,837,792	7,505,205	1,445,034	19,334,958	28,285,197	7,554,942	1,446,610	19,283,645	28,285,197	11.6%
Nurse Aide Testing	143,871	0	143,871	287,742	143,871	0	143,871	287,742	143,871	0	143,871	287,742	0.1%
State Supplement	963,994	0	0	963,994	986,554	0	0	986,554	1,009,114	0	0	1,009,114	0.4%
Aging Services	39,665	0	0	39,665	218,678	0	0	218,678	218,678	0	0	218,678	0.1%
Institutional - MVH	0	0	694,358	694,358	0	0	694,358	694,358	0	0	694,358	694,358	0.3%
Subtotal Benefits	$42,708,313	$16,121,090	$139,943,618	$198,773,021	$45,887,964	$22,828,339	$146,452,574	$215,168,878	$45,902,963	$23,555,471	$148,340,979	$218,334,415	89.8%
Percent of Total	21.5%	8.1%	70.4%	100.0%	21.3%	10.6%	68.1%	100.0%	21.0%	10.8%	67.9%	100.0%	
Compounded Annual Rate of Change from FY 2006 Base					3.7%	19.0%	2.3%	4.0%	2.4%	13.5%	2.0%	3.2%	
Grants													
Aging Grants	$936,113	$0	$6,224,368	$7,160,481	$936,113	$0	$6,224,368	$7,160,481	$936,113	$0	$6,224,368	$7,160,481	2.9%
Meals on Wheels*	567,000	0	0	567,000	692,000	0	0	692,000	692,000	0	0	692,000	0.3%
Inhome Care-Giver Service	300,000	0	0	300,000	600,000	0	0	600,000	0	0	0	0	0.0%
Subtotal Grants	$1,803,113	$0	$6,224,368	$8,027,481	$2,228,113	$0	$6,224,368	$8,452,481	$1,628,113	$0	$6,224,368	$7,852,481	3.2%
Percent of Total Div.	13.1%	0.0%	86.9%	100.0%	13.1%	0.0%	86.9%	100.0%	13.1%	0.0%	86.9%	100.0%	
Compounded Annual Rate of Change from FY 2006 Base					0.0%	n/a	0.0%	0.0%	0.0%	n/a	0.0%	0.0%	
Veterans' Homes													
Montana Vets' Home	$0	$5,640,906	$2,004,300	$7,645,206	$0	$6,828,088	$2,053,385	$8,881,473	$0	$7,128,766	$2,094,450	$9,223,216	3.8%
Eastern Vets' Home	0	308,893	1,123,253	1,432,146	0	362,119	1,123,253	1,485,372	0	305,659	1,123,253	1,428,912	0.6%
Subtotal Vets' Homes	$0	$5,949,799	$3,127,553	$9,077,352	$0	$7,190,207	$3,176,638	$10,366,845	$0	$7,434,425	$3,217,703	$10,652,128	4.4%
Percent of Total	0.0%	65.5%	34.5%	100.0%	0.0%	69.4%	30.6%	100.0%	0.0%	69.8%	30.2%	100.0%	
Compounded Annual Rate of Change from FY 2006 base budget expenditures					n/a	9.9%	0.8%	6.9%	n/a	7.7%	1.0%	5.5%	

*Meals on Wheels and In-home care giver servcies were funded from a one-time appropriation of federal funds during the 2007 biennium, but included in this table for illustrative purposes.

**Inhome care-giver services is a biennial appropriation in FY 2006, but shown as an equal amount in each year of the biennium for the purposes of this table.

Aging and veterans' services each account for roughly 4.0 to 5.0 percent of the total division budget request in FY 2009. Aging grants that support meals, in-home care giver services, and the Area Agencies on Aging account for 3.2 percent of the budget request in FY 2009. General fund appropriations for Meals on Wheels and in-home care giver services were made as one-time appropriations and removed from base budget expenditures. However, these expenditures are included in Figure 74 for comparative purposes.

SLTC Benefits

There are three major Medicaid services administered by SLTC – skilled nursing or nursing home services, home based services, and community based waiver services. Skilled nursing and home based services are an entitlement, meaning that if a person qualifies for Medicaid and the service is medically necessary, that person is entitled to receive the service, regardless of whether the appropriation is sufficient to cover the cost of services that must be delivered.

Community based waiver services are not an entitlement and require a waiver of federal regulations to limit the number of persons served and types of services provided. In order to be eligible for SLTC wavier services, a person must need nursing home or hospital level of care. The waiver must be cost neutral, meaning that the federal cost of the waiver is lower than the cost of providing nursing home level of care.

Home based services include personal assistance, home health and hospice services. Personal assistance services account for 93 percent of the FY 2006 base expenditures, with hospice and home health services making up 6.0 and 1.0 percent respectively.

LFD issues and Medicaid cost estimates compared to those included in the executive budget are discussed in greater detail in the Medicaid services subprogram budget.

State supplement payments are made to persons who are eligible for federal Supplemental Security Income (SSI) payments. The state supplement ($94 per month) is paid to SSI eligible individuals living in certain congregate living situations such as group homes. The payment is funded fully from general fund.

Aging services benefits – about $40,000 general fund each year – pays for emergency services such as temporary lodging and cleaning for victims of elder abuse and neglect. The additional general fund in the 2009 biennium request ($179,103) supports a provider rate increase.

Grants for aging services support a variety of services, with the vast majority of funds (upwards of 70 percent) used for elderly feeding programs. The majority of aging services funding comes from federal grants that are distributed to local Area Agencies on Aging (AAAs). Federal grant funds include parameters on how the funds may be spent. General fund supports grants to AAAs, Meals on Wheels, and in-home care giver programs. Meals on Wheels and in-home care giver appropriations were approved as one time only, and removed from base budget expenditures. They are included in this table for reference purposes.

Veterans' homes comprise 4.6 percent of the SLTC budget request in FY 2009. The 2009 biennium budget request for veterans' homes grows at the fastest rate compared to base budget expenditures of any of the major division functions.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the executive.

Program Funding Table
Senior & Long-Term Care

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$46,295,501	21.0%	$51,207,985	21.3%	$51,181,697	21.0%
01100 General Fund	46,295,501	21.0%	51,207,985	21.3%	51,181,697	21.0%
02000 Total State Special Funds	22,385,363	10.2%	31,097,953	12.9%	32,015,899	13.2%
02023 Private Ins. Medicaid Reim.-Ve	2,802,543	1.3%	2,248,132	0.9%	2,293,231	0.9%
02032 Vets-I&I Lease	5,000	0.0%	4,997	0.0%	4,997	0.0%
02053 Medicaid Nursing Home Match	3,462,236	1.6%	4,580,736	1.9%	5,366,724	2.2%
02260 Cigarette Tax Revenue	3,190,536	1.4%	5,534,844	2.3%	5,652,317	2.3%
02497 6901-Lien & Estate - Sltcd	823,903	0.4%	897,856	0.4%	896,244	0.4%
02772 Tobacco Hlth & Medicd Initiative	3,254,525	1.5%	6,356,697	2.6%	6,327,328	2.6%
02782 69010-Csb Conference	21,954	0.0%	21,954	0.0%	21,954	0.0%
02987 Tobacco Interest	703,779	0.3%	831,850	0.3%	832,217	0.3%
02990 69010-Nursing Home Utilization	8,120,887	3.7%	10,620,887	4.4%	10,620,887	4.4%
03000 Total Federal Special Funds	151,576,815	68.8%	158,410,221	65.8%	160,021,439	65.8%
03005 Emvh V-A Nursing Reimbursement	1,123,253	0.5%	1,123,253	0.5%	1,123,253	0.5%
03073 Aging - Farmers Market	39,450	0.0%	39,450	0.0%	39,450	0.0%
03108 Alzheimer Demonstration Grant	-	-	290,000	0.1%	-	-
03112 Vets-V.A. Reimb	1,925,208	0.9%	1,961,692	0.8%	2,000,981	0.8%
03501 64.014 - Vets St. Domic Care I	81,948	0.0%	92,585	0.0%	94,435	0.0%
03514 10.570 - Elderly Feeding 100%	643,747	0.3%	643,747	0.3%	643,747	0.3%
03515 93.041 - Elder Abuse Prev 100%	30,436	0.0%	30,436	0.0%	30,436	0.0%
03516 93.042 - Ombudsman Activity 10	74,719	0.0%	74,719	0.0%	74,719	0.0%
03517 93.043 - Preventive Hlth 100%	105,929	0.0%	105,929	0.0%	105,929	0.0%
03518 93.044 - Aging Sup S & Train I	1,775,826	0.8%	1,843,828	0.8%	1,837,515	0.8%
03519 93.045 - Aging Meals 100%	2,718,622	1.2%	2,724,297	1.1%	2,728,731	1.1%
03537 93.779 - Hlth Info Counseling	185,968	0.1%	235,240	0.1%	235,152	0.1%
03579 93.667 - Ssbg - Benefits	297,973	0.1%	296,813	0.1%	296,816	0.1%
03580 6901-93.778 - Med Adm 50%	1,439,490	0.7%	1,458,879	0.6%	1,462,023	0.6%
03583 93.778 - Med Ben Fmap	139,943,618	63.5%	146,311,081	60.8%	148,169,631	60.9%
03666 Aging - Caregiver Iii-E	735,482	0.3%	736,691	0.3%	737,040	0.3%
03799 6901-Older Worker Program	455,146	0.2%	441,581	0.2%	441,581	0.2%
Grand Total	$220,257,679	100.0%	$240,716,159	100.0%	$243,219,035	100.0%

SLTC is funded from a combination of general fund, state special revenue, and federal funds. Total funding rises about 10.4 percent from $220.3 million in base budget expenditures to $243.2 million for the FY 2009 budget request. Medicaid services, particularly skilled nursing services, drive costs in this division. Total Medicaid services funding in FY 2006 was $199.8 million or 90.7 percent of total division expenditures and it comprises $219.3 million or 90.2 percent of the FY 2009 budget request.

State support remains at 21.0 percent of the total division funding, while state special revenue grows from 10.2 percent of the base budget ($22.4 million) to 13.2 percent in FY 2009 ($32.0 million). Most state funding for this program pays the state match for Medicaid services. General fund and state special revenue combined provided $57.8 million for Medicaid match in FY 2006 and grow to $68.8 million of the FY 2009 budget request, partly due to the reduction in the federal Medicaid match rate.

General fund also supports aging services and some adult protective services (APS) functions. Requests to continue one time appropriations for senior meals and at-home care givers, and increase meal funding, as well as operating cost increases for aging services, also contribute to general fund increases.

In addition to Medicaid match, state special revenue pays the majority of costs for the two veterans' homes (cigarette tax revenue) and some APS services (lien and estate recovery) as well.

Federal funds are the largest funding source, despite declining as a percent of total expenditures from 68.8 percent of the total base budget ($151.6 million) to 65.8 percent in FY 2009 ($160.0 million). Federal Medicaid matching funds for services for aged and physically disabled individuals are 60.9 percent of total funding in the FY 2009 budget request, with only one other federal funding source contributing in excess of 1 percent of total division spending (aging meals at 1.13 percent and $2.7 million).

State Special Revenue

The majority of state special revenue – 4.4 percent of total funding in FY 2009 - is used for state Medicaid match, primarily for skilled nursing facility services. The nursing home utilization fee (authorized in 15-6-102(1), MCA) is a tax of $8.30 paid for each day a bed in a skilled nursing facility is occupied. Facilities remit the fee to the state and fee income is used to draw down federal matching funds to increase the daily Medicaid nursing home reimbursement.

The second most significant source of state special revenue for Medicaid nursing home match is derived from the county intergovernmental transfer (IGT), where counties transmit county funds that support county skilled nursing facilities to DPHHS to draw down additional federal Medicaid funds to raise daily Medicaid nursing home rates. The IGT program is discussed in greater detail in the Medicaid services subprogram. Finally, health and Medicaid initiatives tobacco tax account revenues and interest from the tobacco settlement trust are also used as state Medicaid match.

Support of the veterans' homes is the next most significant use of state special revenue. Cigarette tax revenue is statutorily allocated for veterans' services (16-11-119(1)(a), MCA), and interest and income from state land provides a small amount of funding too.

Lien and estate funds are reimbursements from estates of persons who received Medicaid services (53-6-143, MCA). The funds are used to support APS and a small portion of nursing home Medicaid match.

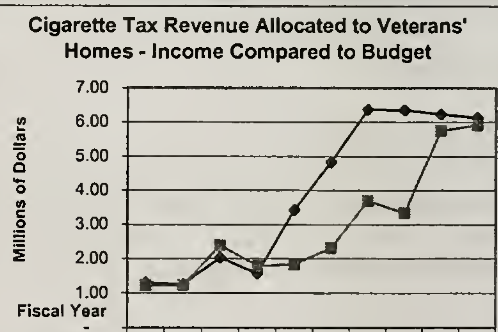
LFD ISSUE

Cigarette Tax Revenue

Figure 75 shows revenues and expenditures from the cigarette tax funds allocated to veterans' services. The graph compares revenues to actual expenditures through FY 2006, the FY 2007 appropriation, and the 2009 biennium budget request.

Revenues rose rapidly – nearly tripling from FY 2003 to FY 2006. The increase was due to the voter initiative to raise tobacco taxes (e.g. $1 per pack of cigarettes) enacted November 2004. The amount allocated to veterans was also changed by the initiative to the greater of $2 million or 8.3 percent of cigarette tax proceeds. Previous to the change, veterans' homes received 11.11 percent of a lower tax amount.

Figure 75



	00	01	02	03	04	05	06	07	08	09
Revenue	1.2	1.2	2.0	1.5	3.4	4.8	6.3	6.3	6.2	6.1
Expenditures	1.2	1.2	2.3	1.7	1.8	2.3	3.6	3.3	5.7	5.9

LFD ISSUE CONT.

Appropriation levels from this account affect transfers to the general fund because cash balances in excess of $2 million that remain in the veterans' cigarette tax fund at fiscal year end transfer to the general fund. Figure 76 shows that if the legislature funds the executive request, balances transferring to the general fund at fiscal year end will be lowered from the 2007 biennium amount of about $3.0 million per year to under $0.5 million annually.

Figure 76
Cigarette Tax Fund Balance Supporting Veterans' Services

Fund Balance Deposits/Expenditures	FY 2006	Percent of Total	FY 2007*	FY 2008*	FY 2009*	Percent of Total
Beginning Fund Balance**	$2,115,828		$2,081,524	$2,000,000	$2,000,000	
Revenue/Transfers In						
Cigarette Tax	$6,362,659		$6,352,000	$6,228,000	$6,130,000	
Other Deposits***	13,874					
Expenditures						
Veterans' Homes Operations			$2,535,982			0.0%
Montana Veterans' Home	$2,833,363	76.9%		$5,124,331	$5,297,813	89.6%
Eastern Montana Veterans' Hm	308,893	8.4%		362,119	305,659	5.2%
Long-Range Building						
Montana State Hospital	362,929	9.8%	537,072	0	0	0.0%
Montana Veterans' Homes	9,166	0.2%	37,009	0	0	0.0%
DPHHS Cost Allocated Admin.	136,203	3.7%	168,599	209,062	259,237	4.4%
Division Administrative Cost	36,290	1.0%	53,710	48,394	48,845	0.8%
Subtotal Expenditures	$3,686,844	100.0%	$3,332,372	$5,743,906	$5,911,554	100.0%
Annual Rate of Increase			-9.6%	72.4%	2.9%	
Compounded Rate of Increase from Base Budget			-9.6%	24.8%	17.0%	
Transfer to General Fund	($2,812,016)		($3,101,153)	($484,094)	($218,446)	
Adjustments**	$101,898		$0	$0	$0	
Ending Fund Balance	$2,081,524		$2,000,000	$2,000,000	$2,000,000	

*Revenue based on estimates adopted by the Revenue Oversight Taxation and Transportation Committee. Expenditures are based on executive budget request. Estimated expenditures also include indirect costs allocated across DPHHS.
**Statute requires that unexpended cash balances in excess of $2 million be deposited to the general fund. Fund balances include other adjustments and may not equal cash balances.

The FY 2008 executive budget request grows about 72.4 percent compared to FY 2007 estimated expenditures. Most of the growth supports cost increases at MVH, which rises from 76.9 percent of base year expenditures from the cigarette tax revenue to 89.6 percent of the total in FY 2009. The portion of cigarette tax funds supporting EMVH drops from 8.4 percent in FY 2006 to 5.2 percent in FY 2009.

SLTC recently published the study of long term care needs for Montana veterans, based on responses to a survey. The majority of respondents indicated that they would prefer development of home and community services if there were additional funds for services. Growth in the executive budget request for cigarette tax funding, almost solely to support MVH, appears to limit future service expansions.

Legislative Options

Cost increases for MVH are partly due to recruitment and retention of medical staff. Despite labor market differences, it appears that contract administration of EMVH may be more cost effective and efficient than state administration of MVH. The legislature may wish to request that the Interim Committee State Administration and Veterans' Affairs evaluate whether contract administration of MVH would ensure that the facility continue to provide the same level of service but potentially at a lower cost than state administration and make a recommendation to the 2009 Legislature.

Other Fund Balance Issues

Indirect cost charges for statewide and department wide services charged to the veterans' services portion of the cigarette tax revenue have increased steadily, and significantly, over the last four years. In FY 2005, these costs totaled about $105,000 annually, grew to about $136,000 in FY 2006, and are projected to increase to $169,000 in FY 2007 for an increase of about 24 percent between the two most recent fiscal years. Indirect charges for division administration have fluctuated, running between actual charges of about $36,300 to the FY 2007 budget allocation of about $52,000.

The Department of Administration develops a statewide cost allocation plan subject to federal review and approval and DPHHS develops an internal cost allocation plan that is also subject to federal review and approval. The services included in the cost allocation plans are numerous and diverse. To determine what has been driving the indirect cost increases to the veterans' cigarette tax fund, and the appropriateness of that increase, is beyond the time and staff resources available during budget analysis.

LFD ISSUE CONT.

There is one other issue related to the fund balance data in Figure 76. There are about $0.9 million in expenditures to support the Montana State Hospital. LFD staff has requested information from SLTC about this entry in order to determine:

1) Whether it is valid; and if so
2) What is the legal authority to spend cigarette tax funds allocated for the operation and maintenance of state veterans' nursing homes on projects at the Montana State Hospital

There may be issues for legislative consideration depending on the information provided in response to the staff inquiry.

2007 Biennium Compared to 2009 Biennium

The 2009 biennium SLTC budget request is $36.4 million greater than the 2007 biennium budget. Most of the increase is in benefits ($29.2 million), primarily Medicaid services for elderly and disabled persons. Personal services increase $2.6 million due to upgrades, reclassifications, fully funding vacant positions, and addition of 9.30 new FTE. Operating costs increase $2.7 million, primarily due to requests for the MVH. Grants costs increase due to the request to continue general fund for Meals on Wheels and in-home care giver funding added as one-time-only appropriations by the 2005 Legislature.

General fund increases the least at $8.6 million, due mostly to reductions in nursing home costs. State special revenue increases $15.9 million to fund MVH increases, and for annualization of Medicaid expansions funded from cigarette tax revenue in the health and Medicaid initiatives account. Federal funds rise $11.9 million due primarily to annualizations of Medicaid expansions.

Figure 77
2007 Biennium Compared to 2009 Biennium
Senior and Long Term Care Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Difference	Percent of Change
FTE	193.44	202.74		9.30	
Personal Services	$16,642,196	$19,286,289	4.0%	$2,644,093	7.3%
Operating	11,851,500	14,574,508	3.0%	2,723,008	7.5%
Equipment	169,201	240,330	0.0%	71,129	0.2%
Grants	14,525,132	16,304,962	3.4%	1,779,830	4.9%
Benefits/Claims	404,308,203	433,503,293	89.6%	29,195,090	80.2%
Debt Service	25,653	25,812	0.0%	159	0.0%
Total Costs	$447,521,885	$483,935,194	100.0%	$36,413,309	100.0%
			0.0%		
General Fund	$93,727,883	$102,389,682	21.2%	$8,661,799	23.8%
State Special	47,251,234	63,113,852	13.0%	15,862,618	43.6%
Federal Funds	306,542,768	318,431,660	65.8%	11,888,892	32.6%
Total Funds	$447,521,885	$483,935,194	100.0%	$36,413,309	100.0%

2005 Legislative Initiatives

There are two initiatives that the 2005 Legislature requested SLTC to report on: veterans' long term care study needs and recruitment and retention of staff at MVH. The Legislative Finance Committee also requested information on implementation of appropriations for direct care worker wage increases.

Veterans' Long Term Care Study Needs

The final report for veterans' long term care needs was issued in November 2006. The report will be presented to the legislature and findings discussed. There are no new initiatives in the executive budget related to report findings.

LFD COMMENT

The long term care study surveyed 358 veterans about long term care needs. About 46.1 percent of the respondents were over the age of 73, 23.6 percent were 65 to 70, 19.6 percent were 56 to 64 years old, and 10.7 percent were younger than 55.

LFD COMMENT CONT.

The survey tool appeared to focus on gathering information about construction of another long-term care facility. Five questions were about what type of facility should be constructed and the location of a new facility if it were to be constructed. One question asked if additional funds were available what would be the best use of those funds and the majority of respondents indicated they would prefer development of home and community based supports. Thirty six percent indicated a preference for in-home and community services, while 18.4 percent indicated that assisted living or retirement living was preferred. About 17.5 percent indicated that a new veterans' home should be constructed and another 17.2 percent said funds should be used to maintain the existing two homes.

While the survey tool asked what types of home and community services respondents were currently receiving and what types of services respondents needed but were not receiving, it did not ask what other services should be developed or provided.

MVH Staff Issues

The legislature appropriated funds to address recruitment and retention of staff at MVH. In summary, SLTC has:

- On October 1, 2005, moved nurses and licensed practical nurses to pay plan 20, a broad band pay plan that allows greater pay flexibility to adjust pay levels based on job content, competency, market salary data, and situational pay, with less emphasis on position classification at an estimated cost of $109,539
- Proposed changes in the scheduling to allow greater flexibility, including a 12-hour shift option with rotating weekends off
- Hired eight potential Certified Nursing Assistant's (CNA's) that were trained on the MVH campus for three weeks starting September 26, 2005
- Formed an MVH retention committee with the following goals: improve employee morale, recognize staff efforts and performance, and have fun and establish camaraderie
- Pursued an employee survey aimed at assessing the level of employee satisfaction and identifying areas where improvements could be made to promote employee satisfaction
- Identified federal grant funds for recruitment and retention

LFD COMMENT

SLTC has undertaken a variety of actions to address recruitment and retention at both facilities, but primarily focused on MVH. SLTC has pursued actions discussed with the 2005 Legislature, including moving to pay plan 20, implementing training programs, and moving to flexible scheduling. The division provided a report in 2005 as requested.

However, the report requested in 2006 has not been forwarded. LFD staff has requested the 2006 report for legislative consideration and has requested a preliminary evaluation of the actions taken on recruitment and retention of staff.

Direct Care Worker Wages

The following narrative provided by SLTC describes the process it used to implement the direct care worker wage appropriations made by the 2005 Legislature. To receive the direct care add-on, providers submitted for approval a request form to the department which indicated how the total annualized amount of funding attributed to the direct care wage add-on would be spent. Facilities and providers that receive funds under this wage distribution must maintain appropriate records documenting the expenditure of these funds, which will be subject to audit and review by the department.

The following narrative and tables were developed by SLTC to explain the level of wage increase and the types of workers who received increases.

Community Services

Under this initiative, DPHHS will allocate funds for community service programs, to provide for an approximate $.80 increase to the wages of direct care workers working in the Medicaid state plan personal assistance (agency based and self directed), home and community based services (HCBS) waiver programs, such as personal assistance services (PAS), private duty nursing, respite, and homemaker.

Community Services Programs Direct Care Wage Initiative Summary

EMPLOYEE CATEGORY	2005 WAGE W/O BENEFITS	2006 WAGE W/O BENEFITS	WAGE INCREASE
Agency PAS	$7.80	$8.60	$.80
HCBS PAS	$8.06	$8.86	$.80
Homemaker	$7.38	$8.17	$.79
Private Duty Nurse	$14.98	$15.78	$.80
Respite	$7.09	$7.89	$.80
Self Directed PAS	$8.53	$9.35	$.82

Nursing Facility Services

Under this initiative, DPHHS will pay Medicaid certified nursing facilities in Montana an additional amount as an add-on to their computed Medicaid payment rate, to be used only for wage and benefit increases for direct care workers in nursing homes. Direction was provided that the intent of this increase was that certified nursing assistants (CNAs) should receive wage increases up to a $1.00 in wages and benefits before any other category of worker. If there are funds left after this distribution the next category of workers should be licensed practical nurses (LPN's) and then registered nurses (RN's) based on the funding that is available. Once all three of these categories have been reimbursed up to the $1.00, other direct care workers salaries could be raised including activities, dietary, housekeeping, and laundry workers. The department has computed a $5.39 per day add-on payment, commencing July 1, 2005, as the pro rata share of appropriated funds allocated for increases in direct care wages and benefits. This amount will be in addition to the computed formula rate that is established for each facility on July 1 of the rate year using the price based reimbursement methodology.

Nursing Facility Provider Direct Care Wage Initiative Summary

EMPLOYEE CATEGORY	2005 WAGE W/O BENEFITS	2006 WAGE W/O BENEFITS	WAGE INCREASE
CNA	$9.19	$10.00	$.81
LPN	$14.97	$15.77	$.80
RN	$20.53	$21.38	$.85
Activities	$10.16	$10.84	$.68
Dietary	$8.55	$9.16	$.61
Housekeeping	$8.94	$9.66	$.72
Laundry	$8.87	$9.58	$.72
Social Services	$13.67	$14.42	$.75
Other	$8.49	$8.89	$.40

LFD COMMENT

SLTC also submitted documents from various community service and skilled nursing providers listing the number of FTE and wage rates by job type. LFD staff has requested that SLTC explain how facilities are audited to ensure that wage rates paid are those that are reported and that wage rates are maintained. LFD staff has also requested the reasoning used to allocate funds for a $1 per hour increase for facility based staff and $0.80 per hour for community based staff.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,004,982					1,069,936
Vacancy Savings					(366,475)					(369,077)
Inflation/Deflation					52,267					60,788
Fixed Costs					(11,570)					753
Total Statewide Present Law Adjustments					$679,204					$762,400
DP 22201 - SLTC Field Office Rent Adjustment	0.00	10,909	0	4,005	14,914	0.00	19,527	0	4,863	24,390
DP 22204 - Adult Protective Services Database Maintenance	0.00	50,886	0	1,846	52,732	0.00	50,886	0	1,846	52,732
DP 22205 - Montana Veterans' Home Expense Adjustments	0.00	0	908,886	0	908,886	0.00	0	916,919	0	916,919
DP 22206 - Dept of Transportation Cars	0.00	11,674	0	11,674	23,348	0.00	11,903	0	11,904	23,807
DP 22207 - Annualize Nursing Home Provider Tax	0.00	0	2,500,000	5,401,391	7,901,391	0.00	0	2,500,000	5,288,162	7,788,162
DP 22208 - State Supplement Caseload Increase	0.00	24,960	0	0	24,960	0.00	49,920	0	0	49,920
DP 22209 - Annualize Waiver Expansion Costs	0.00	(419,748)	829,669	750,433	1,160,354	0.00	(406,035)	829,669	736,720	1,160,354
DP 22210 - Medicaid Nursing Home FMAP Adj	0.00	2,894,405	0	(2,894,405)	0	0.00	3,033,599	0	(3,033,599)	0
DP 22211 - Home Based Medicaid FMAP Adj	0.00	578,956	0	(578,956)	0	0.00	606,220	0	(606,220)	0
DP 22212 - Medicaid Waiver FMAP Adjustment	0.00	491,021	0	(491,021)	0	0.00	514,859	0	(514,859)	0
DP 22213 - Nursing Home Caseload Adjustment	0.00	(1,417,532)	0	(3,062,657)	(4,480,189)	0.00	(1,620,775)	0	(3,428,368)	(5,049,143)
DP 22214 - Medicaid Home Based Svs Caseload Adjustment	0.00	393,748	0	860,625	1,254,373	0.00	901,486	0	1,961,283	2,862,769
DP 22215 - FMAP Change for I-149 NH Provider Increase	0.00	0	111,741	(111,741)	0	0.00	0	117,192	(117,192)	0
DP 22216 - FMAP Change for I-149 Home Based Provider Increase	0.00	0	14,651	(14,651)	0	0.00	0	15,366	(15,366)	0
DP 22217 - FMAP Change for I 1-149 Waiver Provider Rate Inc	0.00	0	12,213	(12,213)	0	0.00	0	12,809	(12,809)	0
DP 22218 - Annualize Nursing Home Direct Care Wage	0.00	(380,933)	519,324	(138,391)	0	0.00	(374,182)	476,173	(101,991)	0
DP 22219 - FMAP Change - I-149 Home Based Direct Care Wages	0.00	0	34,149	(34,149)	0	0.00	0	35,815	(35,815)	0
DP 22220 - FMAP Change - I-149 Direct Care Wages Med Waiver	0.00	0	6,994	(6,994)	0	0.00	0	7,336	(7,336)	0
DP 22223 - Nursing Home IGT Adjustment	0.00	0	977,007	1,591,700	2,568,707	0.00	0	1,733,139	3,051,961	4,785,100
DP 22909 - Montana Veterans' Home Contingency Fund Line Item	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Total Other Present Law Adjustments	**0.00**	**$2,238,346**	**$6,164,634**	**$1,276,496**	**$9,679,476**	**0.00**	**$2,787,408**	**$6,894,418**	**$3,183,184**	**$12,865,010**
Grand Total All Present Law Adjustments					$10,358,680					$13,627,410

LFD COMMENT

Requests for present law adjustments add $19.7 million over the biennium, predominantly in state special revenue. General fund supports $5.8 million, state special revenue supports $12.9 million, and federal funds support $6.8 million of the total present law adjustments requested. Each present law adjustment is discussed in greater detail by subprogram function: Medicaid services, veterans' homes, aging services, division administration, and adult protective services.

LFD COMMENT CONT.

Statewide present law adjustments are standard adjustments made to all agency budgets. These adjustments add a net $1.4 million to the SLTC budget request over the 2009 biennium, with personal services adjustments contributing the largest increase at a net of $1.3 million. Annual personal services present law adjustments add about 12.3 percent to base budget expenditures. Elements of the personal services biennial change are:

- Fully funding positions compared to vacancies in FY 2006 - $799,000
- Moving positions (primarily nursing positions at MVH) to pay plan 20 and other reclassifications and upgrades - $240,000
- Requests to reinstate institution overtime, holidays worked, and shift differential pay, which is stripped from the base budget - $192,000
- Annualization of pay plan increases adds $339,729, but part of the pay plan cost is duplicated in fully funding positions and reinstatement of overtime costs

These personal services increases are partially offset by the inclusion of 4.0 percent vacancy savings (about $736,000 over the biennium). The division had a vacancy savings rate of 4.9 percent during the base year budget, primarily due to the recruitment and retention issues at MVH.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - EMVH Resident Bus Replacement - OTO										
22	0.00	0	40,000	0	40,000	0.00	0	0	0	0
DP 22103 - MVH Facility Upgrades- OTO										
22	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22104 - MVH Recruitment and Retention Contingency										
22	0.00	0	0	0	0	0.00	0	183,000	0	183,000
DP 22105 - MVH Special Care Unit Staff										
22	5.20	0	137,862	0	137,862	5.20	0	138,421	0	138,421
DP 22106 - MVH Pharmacy Clerk										
22	0.60	0	22,539	0	22,539	0.60	0	22,685	0	22,685
DP 22107 - EMVH Fire Alarm System - OTO										
22	0.00	0	15,000	0	15,000	0.00	0	0	0	0
DP 22108 - Additional Aging Ombudsman Position										
22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22109 - Elderly Meal Programs										
22	0.00	692,000	0	0	692,000	0.00	692,000	0	0	692,000
DP 22110 - Continue Aging In-Home Caregiver Program										
22	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 22112 - Additional SHIP FTE for Aging Services										
22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22119 - Waiver Expansion										
22	0.00	838,161	0	1,810,894	2,649,055	0.00	850,347	0	1,798,708	2,649,055
DP 22127 - SLTC Alzheimer Grant Continuation										
22	1.00	0	0	290,000	290,000	0.00	0	0	0	0
DP 22239 - Adult Protective Services Field Staff										
22	1.50	0	74,698	0	74,698	1.50	0	73,084	0	73,084
DP 22501 - Provider Rate Increases										
22	0.00	179,013	1,573,431	3,439,091	5,191,535	0.00	179,013	1,578,443	3,434,083	5,191,539
DP 22904 - Personal Needs Increase										
22	0.00	0	128,071	0	128,071	0.00	0	128,438	0	128,438
Total	10.30	$2,309,174	$2,156,601	$5,634,025	$10,099,800	9.30	$1,721,360	$2,289,071	$5,323,515	$9,333,946

Requests for new proposals add $19.4 million over the biennium. General fund supports $4.0 million, state special revenue supports $4.4 million, and federal funds support $11.0 million of the total requested. Each new proposal is discussed in greater detail by subprogram function: Medicaid services, veterans' homes, aging services, division administration, and adult protective services.

Sub-Program Details

MEDICAID SERVICES 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	17.68	0.00	0.00	17.68	0.00	0.00	17.68	17.68
Personal Services	857,381	147,787	0	1,005,168	152,991	0	1,010,372	2,015,540
Operating Expenses	1,196,652	(7,625)	0	1,189,027	(7,550)	0	1,189,102	2,378,129
Benefits & Claims	197,769,362	8,404,636	7,789,648	213,963,646	11,547,242	7,790,019	217,106,623	431,070,269
Total Costs	**$199,823,395**	**$8,544,798**	**$7,789,648**	**$216,157,841**	**$11,692,683**	**$7,790,019**	**$219,306,097**	**$435,463,938**
General Fund	42,494,853	2,264,577	838,161	45,597,591	2,784,149	850,347	46,129,349	91,726,940
State/Other Special	16,143,044	5,147,241	1,701,502	22,991,787	5,898,848	1,706,881	23,748,773	46,740,560
Federal Special	141,185,498	1,132,980	5,249,985	147,568,463	3,009,686	5,232,791	149,427,975	296,996,438
Total Funds	**$199,823,395**	**$8,544,798**	**$7,789,648**	**$216,157,841**	**$11,692,683**	**$7,790,019**	**$219,306,097**	**$435,463,938**

The Medicaid services function comprises the lion's share of the SLTC division budget with 90.2 percent ($219.3 million) of the FY 2009 budget request. Figure 78 lists each Medicaid service, shows the base budget, each change requested by the executive by fiscal year, including the single new proposal to expand Medicaid community waiver services, and the total amount requested for each Medicaid service.

The FY 2009 executive budget grows 10 percent over FY 2006 costs. The executive request adds $35.5 million over the biennium compared to the base budget of $97.8 million. Annualization of service expansions approved by the 2005 Legislature accounts for nearly half of the increase. 2007 biennium service expansions add $18.0 million total funds, including $7.7 million state special revenue which offsets and reduces general fund by $1.6 million. Medicaid caseload and service utilization reduces the 2009 biennium request by $3.4 million, including $1.7 million general fund, due to anticipated reductions in the number of nursing home bed days. Reductions in the federal Medicaid match rate increase general fund by $8.1 million and state special revenue by $0.3 million and lower federal funds by a like amount. A new proposal to expand community waiver services adds $5.3 million total funds, including $1.7 million general fund.

Nursing home services are the single largest component of the executive request for this division totaling $314.3 million over the biennium, including $60.1 million general fund and $39.2 million state special revenue.

LFD ISSUE

There are several issues related to nursing home costs for the 2009 biennium including:

- The LFD estimate of nursing home costs is lower than that of the executive by about $0.6 million state funds ($2.0 million total funds)
- Funding for nursing homes costs is not transparent
- The executive budget does not allocate reductions to state special revenue from the health and Medicaid initiatives account
- Potential impact on nursing home bed days due to waiver implemented in the Addictive and Mental Disorders Division (AMDD)

Figure 78

Senior and Long Term Care Division 2009 Biennium Medicaid Budget Request by Function and Component

Medicaid Services	FY 2008				FY 2009				% of
Present Law and New Proposals	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Change
Nursing Home Services									
FY 2006 Base Budget	$28,997,045	$13,857,648	$103,812,319	$146,667,012	$28,997,045	$13,857,648	$103,812,319	$146,667,012	74%
DP22207Annualize NH Provider Tax HB 7:	$0	$2,500,000	$5,401,391	$7,901,391	$0	$2,500,000	$5,288,162	$7,788,162	4%
DP22210 - Nursing Home FMAP Adj.	2,894,405	0	(2,894,405)	0	3,033,599	0	(3,033,599)	0	0%
DP22213- Nursing Home Caseload Adj.	(1,417,532)	0	(3,062,657)	(4,480,189)	(1,620,775)	0	(3,428,368)	(5,049,143)	-3%
DP22215 - FMAP Change - 1-149 Nursing	0	111,741	(111,741)	0	0	117,192	(117,192)	0	0%
Home Provider Rate Increase									0%
DP22218 - Annualize Nursing Home Direct	(380,933)	519,324	(138,391)	0	(374,182)	476,173	(101,991)	0	0%
Care Worker Wage Increase									0%
DP22223 - Nursing Home IGT	0	977,007	1,591,700	2,568,707	0	1,733,139	3,051,961	4,785,100	
DP22501 - Provider Rate Increase	0	1,134,270	2,479,205	3,613,475	0	1,137,885	2,475,594	3,613,479	2%
DP22904 - Personal Needs Increase	0	128,071	0	128,071	0	128,438	0	128,438	0%
Subtotal Appropriation Changes	$1,095,940	$5,370,413	$3,265,102	$9,731,455	$1,038,642	$6,092,827	$4,134,567	$11,266,036	6%
Total Nursing Home Appropriation	$30,092,985	$19,228,061	$107,077,421	$156,398,467	$30,035,687	$19,950,475	$107,946,886	$157,933,048	
Percent Increase Over Base Budget	4%	39%	3%	7%	4%	44%	4%	8%	
Home Based Services - Entitlement									
FY 2006 Base Budget	$6,111,838	$1,867,551	$19,285,169	$27,264,558	$6,111,838	$1,867,551	$19,285,169	$27,264,558	14%
DP22211 - Homebased Medicaid FMAP Ad	$578,956	$0	($578,956)	$0	$606,220	$0	($606,220)	$0	0%
DP22214 - Med. Homebased Caseload Adj.	393,748	0	860,625	1,254,373	901,486	0	1,961,283	2,862,769	1%
DP22216 - FMAP Change - 1-149 Home-	0	14,651	(14,651)	0	0	15,366	(15,366)	0	0%
Based Provider Rate Increase									0%
DP22219 - Annualize Homebased Direct	0	34,149	(34,149)	0	0	35,815	(35,815)	0	0%
Care Wages									
DP22501 - Provider Rate Increase	0	238,894	522,156	761,050	0	239,655	521,396	761,050	0%
Subtotal Appropriation Changes	$972,704	$287,694	$755,026	$2,015,424	$1,507,706	$290,836	$1,825,278	$3,623,820	2%
Total Home Based Appropriation	$7,084,542	$2,155,245	$20,040,195	$29,279,982	$7,084,542	$2,158,387	$21,110,447	$30,888,378	
Percent Increase Over Base Budget	16%	15%	4%	7%	16%	16%	9%	13%	
Community Services Waiver - Nonentitlement									
FY 2006 Base Budget	$6,595,771	$395,891	$16,846,130	$23,837,792	$6,595,771	$395,891	$16,846,130	$23,837,792	12%
DP22209 - Annualize Waiver Expansion	($419,748)	$829,669	$750,433	$1,160,354	($406,035)	$829,669	$736,720	$1,160,354	1%
DP22212 -Medicaid Waiver FMAP Adj.	491,021	0	(491,021)	0	514,859	0	(514,859)	0	0%
DP22217 - FMAP Change - 1-149 Waiver	0	12,213	(12,213)	0	0	12,809	(12,809)	0	0%
Provider Rate Increase				0					
DP22220 - Annualize Direct Care Wages	0	6,994	(6,994)	0	0	7,336	(7,336)	0	0%
Medicaid Waiver				0					
DP22119 - Waiver Expansion	838,161	0	1,810,894	2,649,055	850,347	0	1,798,708	2,649,055	1%
DP22501 - Provider Rate Increase	0	200,267	437,729	637,996	0	200,905	437,091	637,996	0%
Subtotal Appropriation Changes	$909,434	$1,049,143	$2,488,828	$4,447,405	$959,171	$1,050,719	$2,437,515	$4,447,405	2%
Total Waiver Appropriation	$7,505,205	$1,445,034	$19,334,958	$28,285,197	$7,554,942	$1,446,610	$19,283,645	$28,285,197	
Percent Increase Over Base Budget	14%	0%	15%	19%	15%	0%	14%	19%	
Total Medicaid Services - Senior and Long Term Care									
Total Medicaid Services Base Budget	$41,704,654	$16,121,090	$139,943,618	$197,769,362	$41,704,654	$16,121,090	$139,943,618	$197,769,362	
Present Law Annualization-2005 Expansion	($800,681)	$3,890,136	$5,972,290	$9,061,745	($780,217)	$3,848,993	$5,879,740	$8,948,516	46%
Present Law Adjustments - Caseload	(1,023,784)	0	(2,202,032)	(3,225,816)	(719,289)	0	(1,467,085)	(2,186,374)	-11%
Present Law Due to Fed Match Change	3,964,382	138,605	(4,102,987)	0	4,154,678	145,367	(4,300,045)	0	0%
PL and New Proposals for Provider Rates	0	2,550,437	5,030,791	7,581,228	0	3,311,583	6,486,043	9,797,625	51%
PL and New Proposals for Expansions	838,161	0	1,810,894	2,649,055	850,347	0	1,798,708	2,649,055	14%
Other New Proposals	0	128,071	0	128,071	0	128,438	0	128,438	1%
Subtotal Appropriation Changes	$2,978,078	$6,707,249	$6,508,956	$16,194,283	$3,505,519	$7,434,381	$8,397,361	$19,337,260	100%
Grand Total Annual Appropriation	$44,682,732	$22,828,339	$146,452,574	$213,963,645	$45,210,173	$23,555,471	$148,340,979	$217,106,622	
Percent Increase Over Base Budget	7%	42%	5%	8%	8%	46%	6%	10%	
Grand Total Biennial Increase					$6,483,597	$14,141,630	$14,906,317	$35,531,543	

LFD ISSUE

Nursing Home Days

Figure 79 shows the 2009 biennium budget estimates. The LFD estimates fewer days of care than the executive. The LFD estimate is based on a 1.5 percent annual decline in the number of days of care starting from the FY 2006 executive estimate. The estimate used by the LFD is based on historic trends. In comparison, the executive estimated a 2.7 percent decline from FY 2006 to FY 2007 and then 0.5 percent decline in the number of days of care from FY 2007. The LFD used the same daily rate as the executive.

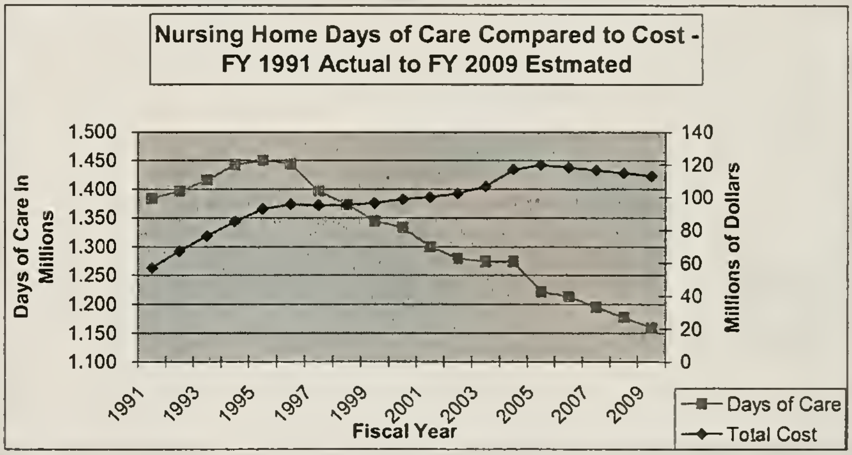
Figure 79
Medicaid Nursing Home Costs 2009 Biennium
Executive Budget Compared to LFD Estimates

Fiscal Year	Executive Request	LFD Estimate	LFD Over (Under) Exec.
FY 2008			
Days of Care	1,181,139	1,176,557	
Rate	$96.34	$96.34	
Total	$113,790,931	$113,349,495	
State Match	$35,718,973	$35,580,406	($138,567)
FY 2009			
Days of Care	1,175,233	1,158,908.58	
Rate	$96.34	$96.34	
Total	$113,221,977	$111,649,252	
State Match	$35,653,600	$35,158,350	($495,251)
State Fund Biennial Difference			($633,818)

Some of the reduction in Medicaid nursing home bed days is related to steady annual increases in Medicaid home and community based services as well as the proliferation of alternative living situations for seniors available in the private market. The legislature has consistently approved funding increases for the SLTC community based waiver. Some persons served in the expansion left skilled nursing care to be served in the community. If waiver services expansions were curtailed or halted, the declines in nursing home services may be lower than projected.

Figure 80 shows millions of days of Medicaid paid nursing care services by fiscal year since 1991 compared to the total cost. While the days of care peaked in FY 1995, the number has slowly and steadily declined. In comparison, the total cost has steadily increased through FY 2006 because of rate increases and funding mechanisms, including provider taxes, that are used to draw down additional federal Medicaid matching funds and raise nursing home rates.

Figure 80



Cost Drivers and Increases

Nursing home cost increases are attributable to the same types cost drivers for other businesses, such as energy, wage, workers' compensation, and health insurance cost increases. However, like all businesses in the health industry, nursing homes face the same worker shortages and wage competition that increases personnel costs. Since nursing homes must meet certain staffing requirements many, including some in Montana, hire staff from temporary services agencies, which greatly increases facility staffing costs.

Historically, the legislature has appropriated nursing home rate increases over the years, targeting some of the increases to raise wages paid to direct care workers. The legislature has also approved funding mechanisms to specifically raise nursing home rates. For example, the legislature approved implementation of an intergovernmental transfer program where counties transfer county funds used to support local nursing homes to the state where the county funds are matched with federal Medicaid funds and used to raise Medicaid rates. In addition, the legislature enacted a bed day utilization fee ($8.30 in FY 2007). Nursing homes remit the fee income, which is used as state match to draw down federal funds and raise nursing home rates.

Nursing Home Rate

The nursing home rate has several components as shown in Figure 81 The individual components are important because the source of state match for each component is different. The rate includes three individually calculated rate increases, all funded from the health and Medicaid initiatives account, that were funded by the 2005 Legislature.

The total rate shown in Figure 81 does not include the add on due to IGT payments. LFD staff has requested information about how to characterize the rate component that would be due to the IGT.

Figure 81

FY 2007 Nursing Home Rate by Component and Source of State Match

			State Special Revenue			
Rate Component	FY 2007	Gen. Fund	Tobacco Settlement	Tobacco Tax	Provider Tax	Other
Base Rate	$96.34	x	x			
Provider Rate	2.92			x		
Direct Care Wages	1.15			x		
Direct Care Wages	4.25			x		
Provider Tax	16.00				x	
Patient Contribution	25.90					x
Total Daily Rate	$146.56					

*Total reimbursement does not include the additional amount added on due to IGT payments.

Source: SLTC, November 15, 2006.

The total daily rate is $146.45 per day. That amount represents the cost that the Medicaid program pays for a day of skilled nursing care. The patient contribution is a portion of reimbursement that is provided by persons with income to apply to the cost of their care. Individuals in this situation would typically spend down their income to a level that they would become Medicaid eligible, at which point Medicaid would cover the balance of costs.

IGT and provider tax components of the nursing home reimbursement have been viewed as add ons to the legislatively funded rate. The legislature has interpreted nursing home payments funded from those sources to be dependent on the level of funds generated and federal rules governing the payment sources. If the state match generated by IGT or provider taxes is reduced, the reduction is not automatically backfilled from other state sources. For instance, IGT revenue provided by county governments declined substantially from FY 2004 to FY 2006 due to federal rule changes and the legislature did not set aside funds to offset the reduction in nursing home payments due to the decline.

LFD ISSUE

Rates are not Transparent

The FY 2006 base rate developed by SLTC is $97.53. However, the base rate used in the executive budget for FY 2007 and future years falls by $1.20 per day to $96.34. LFD staff requested that SLTC clarify why the base rate declined between fiscal years and the preliminary response is that the federal match rate changed. LFD staff requested further clarification as to why a reduction in the federal match rate would lower the daily rate for nursing home services.

LFD staff has also requested clarification about the rate used to project nursing home costs and its relation to total nursing home funding. It would seem that the daily rate should include all funding components, unless there are funding adjustments to present law in addition to the base rate. Funding for nursing home costs is not a transparent process.

LFD ISSUE

Allocations from the Health and Medicaid Initiatives Account

Funds from the health and Medicaid initiatives account allocated to Medicaid services must be used for service expansions and rate increases. Account funds may not be used to fund the traditional trended level of Medicaid services. Because nursing home caseloads are projected to decrease, it would seem that the reduction in service costs should be allocated between the general fund and state special revenue from the health and Medicaid initiatives account. LFD staff will calculate and provide the change in both fund types that would result from a reduction in caseload costs during legislative consideration of the cost estimates. The allocation of reductions among funds may be influenced by data provided by SLTC in response to LFD staff questions about the different components of the daily nursing home rate.

LFD staff has requested clarification on how SLTC funded total Medicaid nursing home costs and the amount of each fund source that supports individual rate components. Depending on the documentation provided, LFD staff may bring additional issues to the legislature for its consideration.

LFD ISSUE

Potential Impact of AMDD Waiver

The Addictive and Mental Disorders Division (AMDD) has received federal approval to implement a home and community based waiver for adults with a serious and disabling mental illness who require nursing home level of care. Some persons currently receiving nursing home or waiver services administered by SLTC may transition to the AMDD waiver.

LFD staff has requested that the two divisions specify how they will manage funding for these services. If funds follow the person transitioning out of SLTC services to the AMDD waiver, there could be an overall increase in the number of persons served. If funds do not follow the person, then the cost of caring for persons already receiving services will be shifted from one division to another. If there is no overall expansion in services, it might not be within statutory guidelines to fund the AMDD waiver with health and Medicaid initiatives account state special revenue since those funds must be used for rate increases or service expansions in the Medicaid program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					189,670					195,09
Vacancy Savings					(41,883)					(42,100
Inflation/Deflation					1,087					1,16
Fixed Costs					(8,712)					(8,712
Total Statewide Present Law Adjustments					**$140,162**					**$145,44**
DP 22207 - Annualize Nursing Home Provider Tax	0.00	0	2,500,000	5,401,391	7,901,391	0.00	0	2,500,000	5,288,162	7,788,16
DP 22209 - Annualize Waiver Expansion Costs	0.00	(419,748)	829,669	750,433	1,160,354	0.00	(406,035)	829,669	736,720	1,160,35
DP 22210 - Medicaid Nursing Home FMAP Adj	0.00	2,894,405	0	(2,894,405)	0	0.00	3,033,599	0	(3,033,599)	0
DP 22211 - Home Based Medicaid FMAP Adj	0.00	578,956	0	(578,956)	0	0.00	606,220	0	(606,220)	0
DP 22212 - Medicaid Waiver FMAP Adjustment	0.00	491,021	0	(491,021)	0	0.00	514,859	0	(514,859)	0
DP 22213 - Nursing Home Caseload Adjustment	0.00	(1,417,532)	0	(3,062,657)	(4,480,189)	0.00	(1,620,775)	0	(3,428,368)	(5,049,143
DP 22214 - Medicaid Home Based Svs Caseload Adjustment	0.00	393,748	0	860,625	1,254,373	0.00	901,486	0	1,961,283	2,862,76
DP 22215 - FMAP Change for I-149 NH Provider Increase	0.00	0	111,741	(111,741)	0	0.00	0	117,192	(117,192)	0
DP 22216 - FMAP Change for I-149 Home Based Provider Increase	0.00	0	14,651	(14,651)	0	0.00	0	15,366	(15,366)	0
DP 22217 - FMAP Change for I 1-149 Waiver Provider Rate Inc	0.00	0	12,213	(12,213)	0	0.00	0	12,809	(12,809)	0
DP 22218 - Annualize Nursing Home Direct Care Wage	0.00	(380,933)	519,324	(138,391)	0	0.00	(374,182)	476,173	(101,991)	0
DP 22219 - FMAP Change - I-149 Home Based Direct Care Wages	0.00	0	34,149	(34,149)	0	0.00	0	35,815	(35,815)	0
DP 22220 - FMAP Change - I-149 Direct Care Wages Med Waiver	0.00	0	6,994	(6,994)	0	0.00	0	7,336	(7,336)	0
DP 22223 - Nursing Home IGT Adjustment	0.00	0	977,007	1,591,700	2,568,707	0.00	0	1,733,139	3,051,961	4,785,10
Total Other Present Law Adjustments	**0.00**	**$2,139,917**	**$5,005,748**	**$1,258,971**	**$8,404,636**	**0.00**	**$2,655,172**	**$5,727,499**	**$3,164,571**	**$11,547,24**
Grand Total All Present Law Adjustments					**$8,544,798**					**$11,692,68**

<u>DP 22207 - Annualize Nursing Home Provider Tax -</u> This present law adjustment adds $15.7 million total funds over the biennium including $5.0 million in state special revenue, for the adjustment in the nursing home bed utilization fee. The daily fee rose from $7.05 per day in FY 2006 to $8.30 per day in FY 2007. The FY 2006 provider tax expenditures totaled $3.5 million in state special revenue, while the FY 2007 revenues are estimated to be $6.0 million. The tax is used to draw down federal matching funds and increase the daily Medicaid rate paid for nursing home services.

LFD ISSUE

LFD staff has requested the documentation supporting the estimate of bed days subject to taxation. The amount of bed tax revenue was not adjusted between the agency budget submission and the final executive budget even though the estimate of Medicaid eligible nursing home bed days declined. Unless Medicaid trends are different than industry trends, there should also be a reduction in the bed tax revenue anticipated during the 2009 biennium.

LFD COMMENT The Deficit Reduction Act of 2005 (DRA) included a provision that could impact Medicaid provider taxes in general and the Montana nursing home bed fee in particular. The federal Centers for Medicare and Medicaid Services (CMS) has considered implementing regulations to reduce the amount of funding that can be generated by provider taxes and used as state matching funds. In general, federal regulations limit provider taxes used as Medicaid match to no greater than 6.0 percent of gross revenue received by a provider class, for example nursing homes would be a provider class. The Montana nursing home utilization fee is very close to that limit.

Originally CMS considered lowering that limit from 6.0 to 3.0 percent, but congressional legislation has been drafted to limit the change from 6.0 to 5.5 percent. If provider taxes are limited to 3 percent of nursing home revenue, the bed day revenue would be reduced from about $16.6 million to $8.3 million annually, resulting in a total funding reduction of $28.0 million annually for the nursing facility program. If the limit is established at 5.5 percent, the Montana tax can remain at its current level.

DP 22209 - Annualize Waiver Expansion Costs - The executive budget requests $2.3 million over the biennium, including $1.6 million in tobacco tax state special revenue, to annualize the expansion of the Medicaid community-based waiver program in FY 2007 funded by the 2005 Legislature. This request also includes a funding shift to replace the general fund that supported the FY 2006 expansion with tobacco tax state special revenue, lowering the amount of general fund support by $0.8 million. The expansion added about 100 additional slots for Home and Community Based services. Base level expenditures were $23.8 million, supported 1,529 slots, and served 1,938 people.

LFD ISSUE The waiver serves both aged and disabled Medicaid eligible persons. Figure 82 shows the number of persons served by eligibility and age of recipient and the average cost per recipient and per waiver slot for FY 2004 through FY 2006.

The cost to serve disabled recipients is higher than the cost to serve aged recipients because of patient acuity levels and service needs. The most expensive group is disabled adults, with an average cost per recipient of $15,002 in FY 2006 compared to $7,480 for disabled children and $9,796 for persons age 64 and over. The number of children served has almost doubled over the last 3 years, rising from 55 in FY 2004 to 103 in FY 2006, partly due to a division initiative discussed later. The number of aged recipients has shown the least increase rising by 65 persons over the same time period.

Figure 82
Number of Persons Served in Waiver by Eligibility,
Cost per Recipient and Slot from FY 2004 to FY 2006

	FY 2004			FY 2005			FY 2006		
Eligibility/Age	Number Served	Cost per Recipient	Cost per Slot*	Number Served	Cost per Recipient	Cost per Slot	Number Served	Cost per Recipient	Cost per Slot
Disabled									
0 - 17	55	$10,174	$9,308	69	$8,784	$10,138	103	$7,480	$9,653
18-64	668	15,544	18,560	681	15,131	18,560	737	15,002	20,566
Subtotal	723	$15,136	$18,668	750	$14,664	$17,974	840	$14,370	$19,746
Age 64 +	1,092	$8,985	$13,568	1,117	$9,678	$13,621	1,157	$9,796	$14,091
Total	1,815	$11,549	$16,336	1,867	$11,817	$15,983	1,997	$11,951	$17,156
Annual Change				2.9%	2.3%	-2.2%	7.0%	1.1%	7.3%

* Average annual cost per slot was derived as an average of costs for consumers enrolled in the waiver for 360 days or more.

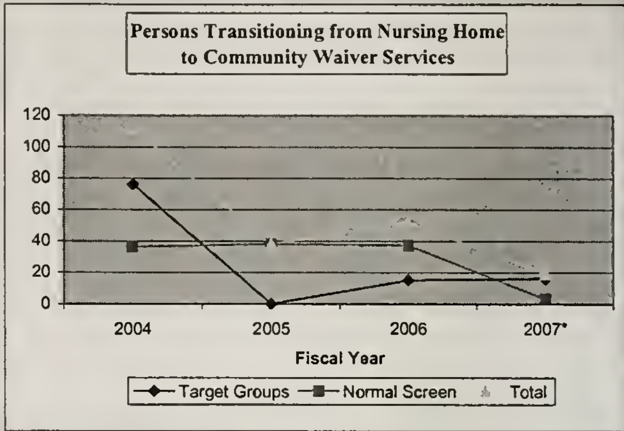
LFD staff has asked SLTC to provide the following information and address the following questions during legislative consideration of the executive budget:

1. Please provide the unduplicated number of children served by type of disability from FY 2004 through FY 2006;
2. Why does the average cost for waiver services decline between FY 2004 and FY 2005; and

LFD ISSUE CONT.

Figure 83 shows the number of persons in nursing facilities screened for waiver services and the number transitioned to waiver services. Figure 83 does not include persons who transition to waiver services from other levels of care. The number of transitions for FY 2007 is the estimate provided by SLTC.

Figure 83



There are two types of service transitions listed. The first type - "target initiatives" - is a division initiated screening process to identify specific groups of persons in nursing homes that could be transferred to the waiver. For example, the target initiative undertaken in FY 2004 involved identifying and screening persons younger than 64 who were in nursing homes. In the target initiative group, funds "follow" the person, meaning that the nursing home appropriation is reduced and the waiver appropriation increased if a person moves from the nursing home to the waiver. The "normal process" transition would be persons who transition from nursing home services to the waiver without a special initiative by SLTC.

The number of persons transitioning from nursing home level of care to waiver services has continually declined since FY 2004. LFD staff requested that SLTC provide the following information for the legislature during its consideration of the waiver services budget request:

1. What has caused the decline in the number of persons transitioning from nursing facilities to the waiver over the last few years;
2. How many persons are on the waiting list for services by type of eligibility and age;
3. How many persons transitioned from the waiting list to waiver services; and
4. Does SLTC have any specific target initiatives that it would pursue during the 2009 biennium?

DP 22210 - Medicaid Nursing Home FMAP Adj - This request adds $5.9 million general fund over the biennium and reduces federal funds by the same amount due to a reduction in the federal Medicaid match rate. The Montana state match rate changes from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

DP 22211 - Home Based Medicaid FMAP Adj - This request adds $1.2 million general fund over the biennium and reduces federal funds by the same amount due to a reduction in the federal Medicaid match rate. The required state match changes from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

DP 22212 - Medicaid Waiver FMAP Adjustment - This request adds $1.0 million general fund over the biennium and reduces federal funds by the same amount due to a reduction in the federal Medicaid match rate. The required state match changes from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

DP 22213 - Nursing Home Caseload Adjustment - This decision package reduces nursing home costs by $9.5 million total funds over the biennium including $3.0 million in general fund due anticipated reductions in the number of days of care compared to the FY 2006 base budget. The executive request funds 31,525 fewer bed days in FY 2008 and 37,431 fewer days in FY 2009 compared to the FY 2006 base level of 1,212,664 days of care. That level represents 86 fewer Medicaid nursing home clients in FY 2008 and 103 in FY 2009, compared to an annual amount of 3,322 in FY 2006.

LFD COMMENT The executive budget overstates the general fund reduction in its caseload estimate, because the state matching amount is based on an incorrect federal match rate. The state funding reduction should be $42,001 less over the biennium than stated in the executive budget. Figure 78 (total Medicaid) shows the correct funding.

Depending on the nursing home caseload adopted by the legislature, the reduction in state matching funds would also be allocated to tobacco tax revenue since it can only be used for rate increases or expanded services in the Medicaid program. A reduction in present law services in conjunction with maintaining base rates would necessitate a proportional decline in state special revenue funding as well.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Occupancy levels in Montana nursing homes have declined from an 87 percent occupancy level in 1997 to the current statewide occupancy level of 75 percent. While overall occupancy has fallen, the Medicaid percentage of days covered has remained relatively consistent at about 61 percent. Budgeting for a lower Medicaid cost will allow resources to be allocated among other uses.

Goals:

- Provide high quality nursing facility services to Medicaid eligible elderly and disabled
- Transition individuals from nursing facilities into community alternatives with money follows the person philosophy
- Aggressively manage Medicaid entitlements
- Reinvest in program areas that increase the ability of Montanans to prepare to meet their own long term care needs and support Montanans in their desire to stay in their own home or live in smaller residential settings for as long as possible

Performance Criteria: The program will monitor budget activity monthly and annually to operate program expenditures within appropriated funding levels over the course of the biennium.

Milestones: The program will monitor budget activity monthly and annually to operate programs within appropriated funding levels over the course of the biennium and establish payment rates that incorporate declining Medicaid caseload assumptions on July 1 of each year of the biennium.

FTE: No additional FTE will be required for this decrease in caseload for these services.

Funding: The funding for this proposal is at the Medicaid services matching rate of about 31 percent state funds and 69 percent federal funds.

Obstacles: Montana has one of the highest growth rates in the proportion of its aged population to its general population compared to other states. It maybe difficult to fund the needed levels of service in the future. Additionally, all medical providers, including nursing homes are having increasing difficulty finding sufficient numbers of nurses and certified nurse aides. Some facilities have had to stop admitting new residents for periods of time because they cannot hire the staff to do the work or must incur higher costs of hiring from agency or temp staffing groups to meet resident needs.

Risk: If caseload reductions do not occur at the levels anticipated, expenditures will exceed the budgeted authority. The program would have to make reductions in other services or provider rates to stay within budget.

LFD COMMENT LFD staff observations for the goals, performance criteria, milestones, and obstacles to help the legislature evaluate this service are included in the following section.

Program goals are specific, but not measurable: The criteria listed to measure performance are not directly related to achieving program goals. While budget management is an integral component of good program administration, staying within appropriation levels will not convey whether nursing home services are high quality, individuals are transitioned to community services, or the program is aggressively managed to insure it does not consume more resources than necessary.

The milestones apply to performance criteria, but not to the program goals.

The obstacles noted are general and it is not readily apparent how the future obstacles apply to the present budget request.

LFD COMMENT The LFD estimate of nursing home costs is discussed at the beginning of the Medicaid services subprogram. LFD staff estimates of nursing home costs are $3.5 million ($0.6 million state funds) lower over the 2009 biennium than the executive budget request.

<u>DP 22214 - Medicaid Home Based Svs Caseload Adjustment -</u> This request funds anticipated caseload growth for Medicaid home based services, which includes personal care/personal assistance, home health, and the hospice program, at an estimated cost of about $3.1 million total funds, including $1.3 million general fund over the biennium.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Personal assistance is the largest, and a critical, component of the home based services, which allows elderly and disabled persons to live in their own homes. SLTC has instituted actions to control program expenditures while trying to ensure that people receive the level of services they need to remain in the community. Despite these actions, the program has grown over the years, with a slight increase in the numbers of participants as well as in the number of units of service required per recipient due to increasing care needs. The increase is based on historic trends.

Goal: Prevent or delay institutionalization by providing medically necessary, long-term maintenance or supportive care in the recipient's residence to help reduce the need for more expensive acute care in other settings.

Performance Criteria:
- Eligible individuals will continue to receive appropriate in-home care as authorized by the 3rd party prior authorization system
- SLTC staff will monitor program budgets monthly to insure that program is operating within funding levels as appropriated and utilization is consistent with expected program growth rates

Milestones: The program will monitor budget activity monthly and annually to operate program expenditures within appropriated funding levels over the course of the biennium.

FTE: No additional FTE will be required for this increase in caseload for these services.

Funding: Medicaid services are funded at about 31 percent state funds to about 69 percent federal funds.

Obstacles: Shortages of staff who are willing and able to perform difficult, often intimate, personal care tasks for vulnerable people are an issue. Continuation of funding initiatives such as the direct care wage initiative approved in the 2005 legislative session will help in attracting individuals to direct care work.

Risk: If caseload increases are not approved, expenditures will exceed the budgeted authority as demand increases for more services and as more eligibles access these services. Long term demand is likely to continue to increase as the population of Montana ages. If resources are not available to meet the increased demand, modifications or reductions would be made to the services package that can be offered under personal assistance and other home based programs.

LFD COMMENT LFD staff observations for the goals, performance criteria, milestones, and obstacles to help the legislature evaluate this service are included in the following section.

The program goal is specific, but not measurable. While personal assistance services are the single largest service component of home based services, there are no goals for hospice or home health services.

The criteria listed to measure performance are very general and the budget monitoring criteria does not assess whether the goal has been achieved. While budget management is an integral component of good program administration, staying within appropriation levels will not convey whether service levels are appropriate or whether the services prevented or delayed placement of persons in a more acute care setting.

The milestones listed apply to the budget monitoring performance criteria listed. However, the performance criteria (and therefore milestones) do not measure whether the program accomplished its goals.

<u>DP 22215 - FMAP Change for I-149 NH Provider Increase -</u> This request adds $0.2 million in state special revenue cigarette tax funds over the biennium and reduces federal funds by a like amount. The Montana state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

<u>DP 22216 - FMAP Change for I-149 Home Based Provider Increase -</u> This request adds about $30,000 in state special revenue cigarette tax funds over the biennium and reduces federal funds by a like amount. The Montana state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

<u>DP 22217 - FMAP Change for I 1-149 Waiver Provider Rate Inc -</u> This request adds about $25,000 in state special revenue cigarette tax funds over the biennium and reduces federal funds by a like amount. The Montana state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

<u>DP 22218 - Annualize Nursing Home Direct Care Wage -</u> This request makes two adjustments: 1) it adds about $240,034 in state special revenue cigarette tax funds over the biennium and reduces federal funds by a like amount to account for the reduction in federal Medicaid match rates; and 2) it shifts the full cost of the direct care wage increase authorized by the 2005 Legislature from general fund (nearly a $650,059 decrease over the biennium) to cigarette tax state special revenue which increases by a like amount. Together these two adjustments increase cigarette tax revenue $937,093 over the biennium.

LFD ISSUE LFD staff has requested that SLTC provide the supporting documentation for this request to insure that funding for nursing home costs in the 2009 biennium, together with this request, conform to statutory uses of health and Medicaid initiatives account state special tobacco tax revenue and to ensure the total nursing home appropriation is funded correctly.

DP 22219 - FMAP Change - I-149 Home Based Direct Care Wages - The executive budget includes a funding shift that reduces federal funds and increases tobacco tax state special revenue by about $70,000 to annualize direct care worker wage increases authorized by the 2005 Legislature and account for the federal Medicaid match rate change.

DP 22220 - FMAP Change - I-149 Direct Care Wages Med Waiver - The executive budget includes a funding shift that reduces federal funds and increases tobacco tax state special revenue by about $14,000 to annualize direct care worker wage increases authorized by the 2005 Legislature and to account for the federal Medicaid match rate change.

DP 22223 - Nursing Home IGT Adjustment - This request adds $7.3 million over the biennium, with the state share coming from local county resources, to fund increases in county nursing home intergovernmental transfer payments (IGT). This program allows counties to transfer a portion of the funds used to support county nursing homes to DPHHS. The transferred funds are applied as Medicaid match to draw down additional federal Medicaid funds and raise the daily nursing home reimbursement.

LFD COMMENT The legislature appropriated funds to implement the county nursing home IGT in the 1999 legislative session. The Montana IGT program was structured to meet newly published federal guidelines and has been revised several times as federal rules have evolved and become more stringent.

The 2005 Legislature appropriated $19.7 million total funds, including $5.7 million in county funds, for the FY 2006 IGT program. However, counties transferred about a third of the amount anticipated in the base budget year - $1.9 million - to leverage a total of $4.6 million federal funds. The reduction was partially in response to changes in federal rules that require counties to use federal Medicaid IGT revenue only for nursing home costs and the potential to repay balances not spent in accordance with federal rule. Previously, this requirement had been applied to states receiving the IGT federal funds, but not to the counties making the initial transfer payment.

The IGT program was recently audited by the Centers for Medicare and Medicaid Services (CMS), the federal agency that administers Medicaid. The Montana program passed the audit with no findings or repayment requirements. Montana is the only state in its federal region to operate a substantial IGT program. SLTC has worked with county governments and county nursing homes to ensure compliance with federal IGT guidance.

The legislature may wish to line item and restrict amounts it decides to appropriate for the IGT. CMA may promulgate additional changes to the program or potentially not approve the Montana IGT plan in future years, despite program compliance with all federal guidelines. Restricting the appropriation would limit "hollow" appropriation authority that could be transferred and used for other purposes if the Montana IGT changes or is not approved.

New Proposals

New Proposals

	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22119 - Waiver Expansion										
01	0.00	838,161	0	1,810,894	2,649,055	0.00	850,347	0	1,798,708	2,649,05
DP 22501 - Provider Rate Increases										
01	0.00	0	1,573,431	3,439,091	5,012,522	0.00	0	1,578,443	3,434,083	5,012,52
DP 22904 - Personal Needs Increase										
01	0.00	0	128,071	0	128,071	0.00	0	128,438	0	128,43
Total	**0.00**	**$838,161**	**$1,701,502**	**$5,249,985**	**$7,789,648**	**0.00**	**$850,347**	**$1,706,881**	**$5,232,791**	**$7,790,01**

DP 22119 - Waiver Expansion - This proposal requests $5.3 million total funds over the biennium, including $1.7 million general fund, to expand the Medicaid Home and Community Based Waiver program (HCBS). This expansion would add about 100 new service slots for individuals waiting to access community services in home or assisted living settings, supported living, or heavy care slots such as ventilator or traumatic brain injury services.

To be eligible for the waiver program an individual must be elderly or disabled, Medicaid eligible, and require nursing facility or hospital level of care. The majority of the recipients served meet the nursing facility level of care criteria. Because the waiver is not an entitlement, the program has waiting lists, which require that some eligible people wait for services until additional resources are appropriated by the legislature.

LFD ISSUE

If the legislature approves this request it could consider funding the expansion with state special revenue from the health and Medicaid initiatives account. Additionally, LFD staff has requested that SLTC estimate how many persons may transition from nursing home to waiver services if this proposal were to be approved. The legislature may be able to further lower the nursing home appropriation depending on the estimate.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: There are about 600 individuals on the waiver service waiting list. Historically, the waiting list has fluctuated between 450 to 600 individuals on it at any given point in time and is expected to grow as the aging population grows.

Goal: Increase the number of individuals served under the Medicaid home and community waiver by at least 102 over the biennium.

Performance Criteria: 102 individuals will be provided the opportunity to transition to waiver services and will be removed from the waiting list. SLTC staff will monitor performance and modify transition plans based on availability of funding and needs of individuals served.

Milestones: Effective July 1, 2007 begin transition of 102 individuals into community service placements under the waiver program.

FTE: No additional FTE will be required.

Funding: The funding is at the Medicaid match rate of about 31 percent state funds to about 69 percent federal funds.

Obstacles: One of the most difficult policy questions is how to expand assisted living services without creating a highly desirable publicly funded service that could reduce the incentive people have to meet their own long term care needs. Due to the increasing demands for community based services the movement of individuals from the waiting list may result in only a temporary reduction to the waiting list.

Risk: If individuals do not have access to necessary community based services they are at risk of placement in a nursing facility or hospital placement. Or, if persons are currently residing in a nursing facility or hospital, they may have little choice of alternative placements without the resources to develop appropriate community service plans.

DP 22501 - Provider Rate Increases - The executive budget includes $10.0 million over the biennium for Medicaid provider rate increases, with $3.1 million in state matching funds from the health and Medicaid initiatives account.

LFD COMMENT The provider rate increases are not adjusted for caseload changes between fiscal years. Since nursing homes benefits are significantly greater than the other Medicaid services administered by SLTC, the amount to support provider rate increases will be dependent on the caseload estimates adopted by the legislature. LFD staff will prepare an estimate of a provider rate increase for SLTC after the legislature has determined an appropriation level for those services.

<u>DP 22904 - Personal Needs Increase -</u> This decision package requests $256,509 tobacco trust interest funds over the biennium to provide for increases in the personal needs allowance for nursing facility residents from $40.00 per month to $50.00 per month. Personal needs funds are used by residents to purchase personal items that are not covered under the nursing facility reimbursement such as postage, cards, gifts and beauty shop services for residents.

Sub-Program Details

VETERANS 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	124.01	0.00	5.80	129.81	0.00	5.80	129.81	129.81
Personal Services	4,830,497	627,890	160,401	5,618,788	704,838	344,106	5,879,441	11,498,229
Operating Expenses	4,136,949	825,574	180,000	5,142,523	822,886	165,000	5,124,835	10,267,358
Equipment	100,165	0	40,000	140,165	0	0	100,165	240,330
Debt Service	9,741	3,030	0	12,771	3,300	0	13,041	25,812
Total Costs	**$9,077,352**	**$1,456,494**	**$380,401**	**$10,914,247**	**$1,531,024**	**$509,106**	**$11,117,482**	**$22,031,729**
State/Other Special	5,949,799	1,409,379	380,401	7,739,579	1,442,795	509,106	7,901,700	15,641,279
Federal Special	3,127,553	47,115	0	3,174,668	88,229	0	3,215,782	6,390,450
Total Funds	**$9,077,352**	**$1,456,494**	**$380,401**	**$10,914,247**	**$1,531,024**	**$509,106**	**$11,117,482**	**$22,031,729**

Veterans' services comprise 4.6 percent of the FY 2009 division budget request. The program administers the two veterans' homes. The Montana Veterans' Home (MVH-Columbia Falls) is staffed by state employees and operation of the Eastern Montana Veterans' Home (Glendive) is contracted, with 1.00 FTE state program administrator to oversee the contract.

The most significant change is in personal services, due to statewide present law adjustments that fully fund FTE, adjustments for overtime pay, and reclassification of nursing positions from pay plan 60 to pay plan 20 (broad band). Fixed cost increases for utilities are also a significant component of state wide present law adjustments.

Present law adjustments add about $3.0 million in state special cigarette tax revenue over the biennium and new proposals add $0.9 million and 5.80 new FTE. Except for $55,000 in FY 2008, all of the requests for increased funding support MVH.

As noted in the division funding section, legislative appropriations from cigarette tax revenues allocated to the operation of the veterans' homes impacts general fund revenues. Statute allocates the greater of 8.3 percent or $2 million in cigarette tax revenues to the veterans' homes. Executive budget funding requests, primarily to operate MVH, reduce the general fund transfer from nearly $3 million per year in the 2007 biennium to under $0.5 million in FY 2008 and $0.2 million in FY 2009.

LFD ISSUE

LFD staff requested information about:

- Federal and private revenues available to offset state funding costs at MVH
- Average daily population estimates
- Federal reimbursements from the Veterans' Administration

LFD ISSUE CONT.

Figure 84 shows revenue estimates for MVH during the 2009 biennium that were developed by DPHHS staff that manage the federal billing and other income receipt for institution services. The sources of revenue listed include private, insurance, Medicaid, Medicare, and Veterans' Administration payments.

Option

The revenue estimated by DPHHS staff for MVH services from sources other than cigarette tax is $2.4 million greater over the 2009 biennium than included in the executive budget. The legislature may wish to use the higher estimates and offset cigarette tax state special revenue funding by a like amount.

Figure 84

Revenue Sources Supporting MVH Executive Budget Request

Revenue Source	FY 2008	FY 2009	% of Ttl
Private Payments	$2,826,350	$2,860,760	51.3%
Veterans' Administration	2,332,380	2,379,185	42.7%
Medicare Reimbursement	252,091	251,405	4.5%
Insurance Payments	81,843	81,620	1.5%
Total DPHHS Projection	$5,492,663	$5,572,970	100.0%
Total in Executive Budget	$4,304,544	$4,390,757	
Difference	$1,188,119	$1,182,213	

Source: Department of Public Health and Human Services, November 3, 2006

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					471,602					522,436
Vacancy Savings					(212,082)					(214,118)
Inflation/Deflation					41,162					48,962
Fixed Costs					(3,074)					6,825
Total Statewide Present Law Adjustments					**$297,608**					**$364,105**
DP 22205 - Montana Veterans' Home Expense Adjustments	0.00	0	908,886	0	908,886	0.00	0	916,919	0	916,919
DP 22909 - Montana Veterans' Home Contingency Fund Line Item	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Total Other Present Law Adjustments	**0.00**	**$0**	**$1,158,886**	**$0**	**$1,158,886**	**0.00**	**$0**	**$1,166,919**	**$0**	**$1,166,919**
Grand Total All Present Law Adjustments					**$1,456,494**					**$1,531,024**

DP 22205 - Montana Veterans' Home Expense Adjustments - The executive budget includes $1.8 million over the biennium from cigarette tax state special revenue funds to provide for adjustments in operating costs for overtime, holiday pay, differential pay, and increases in food costs, utilities and other supplies at MVH. Overtime costs of $0.8 million are the most significant component of the request.

LFD COMMENT

SLTC will be presenting additional information on recruitment and retention of staff for legislative consideration. The information should include a preliminary analysis of whether wage, work schedule, and education initiatives have helped retain staff and if so, whether overtime and base costs for contracted staff can be reduced from historic levels.

LFD COMMENT CONT.

Figure 85 shows major components of the adjustment compared to FY 2006 costs. The majority of the request is for overtime, shift differential, and holiday pay. Over a third of the request is not allocated. Other components with a value in excess of $20,000 are listed. The "other cost adjustments" in the table include increases in utilities, food, and supplies.

The majority of the adjustment is recorded in unallocated costs, making it difficult to determine why the funds are requested. The narrative accompanying the budget request does not include any additional information. LFD staff has requested information from SLTC about the amount that is not specified.

Figure 85
Components of DP 22205 - MVH Expense Adjustments

Type of Cost	FY 2006	FY 2008	FY 2009	Percent of Total
Unallocated Costs	$0	$425,030	$342,711	37.4%
Overtime	276,838	368,370	396,520	43.2%
Temporary Staff	742,961	19,800	40,194	4.4%
Bed Tax Collection	244,579	26,402	26,402	2.9%
Physician Services	69,573	22,734	25,447	2.8%
Other Costs	6,311,255	46,550	85,635	9.3%
Total	$7,645,206	$908,886	$916,909	100.0%

DP 22909 - Montana Veterans' Home Contingency Fund Line Item - This decision package requests continuation of the current restricted Montana Veterans' Home Contingency Fund appropriation in HB2 of $250,000 state special revenue from cigarette tax each year of the biennium. These funds may be utilized only subject to a determination by the office of budget and program planning that federal and/or state special revenue appropriations are insufficient to operate the Veterans' Home in Columbia Falls. This appropriation was authorized in both the 2003 and 2005 legislatures.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - EMVH Resident Bus Replacement - OTO										
02	0.00	0	40,000	0	40,000	0.00	0	0	0	0
DP 22103 - MVH Facility Upgrades- OTO										
02	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22104 - MVH Recruitment and Retention Contingency										
02	0.00	0	0	0	0	0.00	0	183,000	0	183,000
DP 22105 - MVH Special Care Unit Staff										
02	5.20	0	137,862	0	137,862	5.20	0	138,421	0	138,421
DP 22106 - MVH Pharmacy Clerk										
02	0.60	0	22,539	0	22,539	0.60	0	22,685	0	22,685
DP 22107 - EMVH Fire Alarm System - OTO										
02	0.00	0	15,000	0	15,000	0.00	0	0	0	0
Total	5.80	$0	$380,401	$0	$380,401	5.80	$0	$509,106	$0	$509,106

DP 22101 - EMVH Resident Bus Replacement - OTO - This decision package is requesting one-time-only funding from the cigarette tax state special revenue fund of $40,000 to replace a bus, which is used to transport residents of the Eastern Montana Veterans' Home in Glendive. The EMVH is soliciting donations from charitable and Veterans' Groups to help offset a portion of the cost of this bus.

DP 22103 - MVH Facility Upgrades- OTO - This decision package is requesting one-time-only state special revenue funds of $330,000 over the biennium for facility upgrades at MVH. These upgrades will include replacing 80 beds with adjustable hi-lo electric beds to reduce back injuries suffered by caregivers.

This proposal also includes $120,000 per year from the cigarette tax state special revenue to remodel MVH bathrooms to replace countertops, cabinets, toilets, sinks and flooring.

DP 22104 - MVH Recruitment and Retention Contingency - This proposal includes $183,000 from cigarette tax state special revenue for a contingency fund in FY 2009 for MVH to provide recruitment and retention wage increases. The purpose is to maintain a competitive wage for MVH direct care staff in the Flathead Valley and to assist in recruitment and retention of staff.

The facility would conduct a wage survey of other, nearby health care facilities in the spring of 2008 to determine if MVH direct care staff wages (registered nurses (RNs), licensed practical nurses (LPNs) and certified nurse assistants (CNAs)) remain competitive. In the event that there is a disparity of $2.00 per hour or more, a wage increase of $1.50 per hour would be authorized for licensed staff to remain competitive with other employers. If a wage disparity of $1.00 per hour or more occurred for CNAs, a wage increase of $.75 cents per hour would be authorized to remain competitive with other employers.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: MVH must compete with other health care facilities in the Flathead Valley for a limited pool of direct care staff. As MVH wages fall behind other facilities, it becomes increasingly difficult to recruit and retain qualified direct care staff at MVH. The facility must contract with temporary employment contractors (agency staff) at a much higher cost so that mandated staffing levels are maintained. The 2005 Legislature directed the department to aggressively pursue options to resolve the problem of recruitment and retention of staff at MVH, including consideration of such options as moving to pay plan 20, innovative education plans to promote advancement of staff and partnerships with the university system to promote educational opportunities for direct care staff. In October of 2005, the SLTC moved RN's and LPN's to pay plan 20 in an effort to be more competitive and adopted a more flexible 12 hour shift option for staff.

Goal:

- Provide efficient, effective and high quality long term care to veterans
- Reduce overtime and call off of staff as well as reduce the need to utilize agency based staffing to meet the ongoing staffing needs at MVH
- Make wage adjustments, in keeping with the labor market in the Flathead Valley, with a combination of market adjustments in addition to any legislative appropriated increases approved for state employees during the 2009 biennium

Performance Criteria:

- A wage survey of the nearby health care facilities will be conducted in the spring of 2008 by facility staff to determine if MVH direct care wages (RN's, LPN's, and CNA's) remain competitive.
- In the event that there is a disparity of $2.00 per hour or more, a wage increase of up to $1.50 per hour would be authorized for licensed staff to remain competitive with other employers.
- If a wage disparity of $1.00 per hour or more occurred for CNA's, a wage increase of up to $0.75 cents per hour would be authorized for CNA's to remain competitive.

Milestones: Spring 2008 – wage survey of Flathead Valley health care facilities along with comparisons to labor market data for direct care staff in Montana will be benchmarks for triggering the use of the recruitment and retention contingency resources.

FTE: Current staff at the MVH would perform the wage analysis of the Flathead Valley and look at other published labor market date in determining need for increases.

Funding: This proposal is funded entirely from cigarette tax state special revenue. All other anticipated revenue from the operation of the MVH has been budgeted in the base budget.

Obstacles: Increasing wages to be more competitive and efforts to motivate staff may not be sufficient for MVH to fill all vacancies. MVH may still need to rely on contracted agency staff to meet the needs of providing health care on a 24/7 basis.

Risk: MVH may not be able to assure mandated staffing levels due to noncompetitive wages and an ongoing shortage of nursing staff in the Flathead area and provide quality care to facility residents. Without adequate staffing the need to rely on more expensive agency staff could cause budget over runs or the need to look at limiting admissions to MVH so that there would be adequate staff resources to meet the needs of facility residents.

LFD COMMENT

The performance criteria and milestones relate very well to conducting a wage survey, but not to the primary goal of maintaining a well qualified staff for MVH. The legislature may wish to ask SLTC to propose performance criteria and milestones that address overall recruitment and retention in addition to administration of a wage initiative.

SLTC will address its efforts to retain staff during the 2007 biennium with the legislature. SLTC has initiated non wage components that affect recruitment and retention as part of its initiative as well as wage related actions. The legislature may wish to review outcomes to date to determine what strategies are most effective.

LFD ISSUE

If the legislature funds this proposal, it may consider whether to reduce the amount already in the base budget and annual 2009 biennium budgets for contract staff ($1.3 million each year). If wage initiatives are a significant impetus to maintaining staff, it would seem that the level of contract staff should be lower.

If the legislature approves this proposal it may wish to line item and restrict this appropriation. It could also consider attaching conditions to the expenditure of funds drawn, perhaps from revised performance criteria and wage disparity between the wage survey and current MVH wages.

<u>DP 22105 - MVH Special Care Unit Staff -</u> This proposal would fund additional staff for the Special Care Unit (SCU) at MVH. The 15-bed SCU is at full occupancy with a waiting list. Because many of the clients are in advanced stages of dementia, MVH has been experiencing a greater number of patient accidents in this unit. This proposal requests one additional CNA for two shifts seven days a week (3.20 FTE), one activities aide for one shift seven days a week (1.60 FTE) and a housekeeper on the weekends for the SCU (0.40 FTE). The total cost for these FTE is about $140,000 per year and would be funded from the cigarette tax state special revenue fund.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Additional CNA staffing and additional activities staff resources would provide more one-on-one supervision and direction of the SCU residents and more tailored and focused activities that are designed specifically for residents with dementia and complex care needs. The additional house keeping staff would provide more resources on weekends, to avoid pulling staff from the main floor to the SCU, in order to maintain facility cleanliness and infection control requirements.

Goal: Assure mandated staffing levels are maintained; provide quality of care to residents; maintain health and safety of residents; reduce the risk of accidents and injuries; and maintain facility cleanliness.

Performance Criteria:

- o Compliance with survey requirements related to staffing levels, infection control and cleanliness
- o Reduction in the number of patient accidents/injuries in SCU as part of the 2008 annual survey of the facility by Quality Assurance Division, Certification Bureau in DPHHS and the Veterans' Administration survey.

Milestones: Compliance with health and safety standards, staffing requirements and reduction of accidents as determined by the 2008 annual health survey conducted by DPHHS and the Veterans' Administration.

FTE: One additional Certified Nursing Assistant (CNA) for two shifts seven days a week (3.2 FTE), one activities aide for one shift seven days a week (1.6 FTE), and one housekeeper on the weekends (0.4 FTE) for the SCU. If these staff resources are not approved the facility will continue the current process of reallocation of existing staff resources and will use more expensive agency and temporary staff to assure that quality care is provided to meet resident care needs on a 24/7 basis, which may result in additional costs to the facility .

Funding: This proposal is funded from the cigarette tax state special revenue account.

Obstacles: Recruitment and retention of qualified staff in the Flathead Valley for staffing support of higher acuity residents in a SCU environment is a challenge. Even with the ability to increase wages to be more competitive, the facility may find it difficult to find enough qualified staff to fill these positions.

Risk: Without these additional SCU staff resources the facility assumes the potential risk of increased accidents for a population that has an inherently higher risk for injury and accidents. The facility assumes risk of survey deficiencies related to staffing, activities, and infection control by the state certification bureau if additional resources are not available. Additionally, the facility will not be able to provide the highest level of quality care to facility residents.

LFD COMMENT

MVH has not failed survey requirements related to infection and disease control, accident prevention, or staffing levels. If additional staff are funded, the legislature may wish to ask SLTC how likely it is that the positions would be filled due to ongoing recruitment and retention problems. If SLTC believes that these positions can be filled and retained, the legislature may ask whether it could fund these FTE within the contracted services amount in the base budget for contract help ($1.3 million).

DP 22106 - MVH Pharmacy Clerk - This request funds a 0.60 FTE pharmacy clerk at MVH. This position would be responsible to collect data to be used in Medicare and Medicaid reimbursement as related to the new Medicare Part D prescription drug program. This request for approximately $23,000 each fiscal year would be funded from cigarette tax state special revenue.

LFD COMMENT

Legislative staff has asked the agency to provide an estimate of the additional amount of Medicare and Medicaid funding that would be collected for pharmacy services if the funding this FTE were approved. The cost of the FTE could be partially offset by higher collections.

DP 22107 - EMVH Fire Alarm System - OTO - This request for $15,000 from cigarette tax state special revenue would upgrade the fire alarm system at the Eastern Montana Veterans' Home in Glendive.

Sub-Program Details

AGING 03

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	8.00	0.00	3.00	11.00	0.00	2.00	10.00	10.00
Personal Services	406,308	18,723	132,066	557,097	20,811	88,124	515,243	1,072,340
Operating Expenses	299,611	3,943	251,974	555,528	6,536	2,600	308,747	864,275
Grants	7,160,481	0	1,292,000	8,452,481	0	692,000	7,852,481	16,304,962
Benefits & Claims	963,994	22,560	179,013	1,165,567	45,120	179,013	1,188,127	2,353,694
Total Costs	**$8,830,394**	**$45,226**	**$1,855,053**	**$10,730,673**	**$72,467**	**$961,737**	**$9,864,598**	**$20,595,271**
General Fund	2,106,765	28,527	1,471,013	3,606,305	54,472	871,013	3,032,250	6,638,555
Federal Special	6,723,629	16,699	384,040	7,124,368	17,995	90,724	6,832,348	13,956,716
Total Funds	**$8,830,394**	**$45,226**	**$1,855,053**	**$10,730,673**	**$72,467**	**$961,737**	**$9,864,598**	**$20,595,271**

The aging function administers grants for community services managed by local agencies, and the contract for payment of the state supplement and the monthly supplement amount for persons eligible for Social Security Insurance payments due to their disability and low income. The 2009 biennium budget request increases about $2.9 million above the FY 2006 base budget.

The single largest request ($2.0 million general fund) would restore one time only appropriations for aging meal services and in-home care giver grants as well as providing a $0.3 million increase for meals. The aging services function also includes increases in federal funding to support 3.00 new FTE for an additional ombudsman, an additional health insurance assistant, and an FTE to administer a federal Alzheimer's grant. A provider rate increase of $0.3 million, funded from health and Medicaid initiative state special revenue, is also included.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					36,434					38,608
Vacancy Savings					(17,711)					(17,797)
Inflation/Deflation					1,543					1,736
Total Statewide Present Law Adjustments					**$20,266**					**$22,547**
DP 22208 - State Supplement Caseload Increase	0.00	24,960	0	0	24,960	0.00	49,920	0	0	49,920
Total Other Present Law Adjustments	**0.00**	**$24,960**	**$0**	**$0**	**$24,960**	**0.00**	**$49,920**	**$0**	**$0**	**$49,920**
Grand Total All Present Law Adjustments					**$45,226**					**$72,467**

DP 22208 - State Supplement Caseload Increase - This request would fund the projected cost for caseload increase in state supplemental payments for 20 individuals who would transfer from institutional disability services to community programs. The request totals $24,960 general fund for FY 2008 and $49,920 general fund for FY 2009. Base expenditures were $1,073,749 general fund.

The monthly state supplemental payment is $94 and the state pays a $10 administrative fee to the Social Security Administration to process the payment. About 860 persons received a monthly supplemental payment in FY 2006.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22108 - Additional Aging Ombudsman Position										
03	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22109 - Elderly Meal Programs										
03	0.00	692,000	0	0	692,000	0.00	692,000	0	0	692,000
DP 22110 - Continue Aging In-Home Caregiver Program										
03	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 22112 - Additional SHIP FTE for Aging Services										
03	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22127 - SLTC Alzheimer Grant Continuation										
03	1.00	0	0	290,000	290,000	0.00	0	0	0	0
DP 22501 - Provider Rate Increases										
03	0.00	179,013	0	0	179,013	0.00	179,013	0	0	179,013
Total	**3.00**	**$1,471,013**	**$0**	**$384,040**	**$1,855,053**	**2.00**	**$871,013**	**$0**	**$90,724**	**$961,737**

DP 22108 - Additional Aging Ombudsman Position - This request would add about $92,400 federal funds over the biennium to fund an additional 1.0 FTE aging services ombudsman. Currently, there is a single full time position to oversee the long term care ombudsman program. Ombudsman advocate for residents' rights in nursing facilities and community-based settings, such as assisted living, which are increasingly popular long term care alternatives. The number of elderly individuals accessing these services is increasing.

DP 22109 - Elderly Meal Programs - This request for $692,000 general fund each year over the biennium would support aging programs and grants administered by Area Agencies on Aging. The 2005 Legislature appropriated $567,000 of general fund each year of the 2007 biennium, but designated the appropriation as one time only (OTO), so it was removed from the base budget. This adjustment restores the one time appropriation and increases it by $125,000 each year.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The 2005 Legislature approved $567,000 of OTO general fund to the aging program for grants to local Area Agencies on Aging for Meals on Wheels, congregate feeding programs and other programs for the elderly in the community.

Goal: Allow local communities to provide services to elderly Montanans to help them maintain quality of life and remain independent.

Performance Criteria: The services to be provided include meals, in-home services (such as homemaker, home chore, personal care, skilled nursing), access services (such as transportation, information and assistance, shopping assistance), and senior centers. The units of service that have been provided and would continue to be provided with these funds include:

- Congregate meals - 15,400 units of service
- Home delivered meals - 35,000 units of service
- In-Home services - 8,000 units of service
- Access services - 7,500 units of service

FTE: No additional FTE would be required.

Funding: Funding for this proposal is 100 percent general fund.

Milestones: Continuation of these funds would allow the department to maintain programs at the current level of effort.

Obstacles: The major obstacle facing these programs would be the loss of services to the elderly if these funds are reduced or not appropriated. Overall meal costs have been increasing over the last five years resulting in fewer meals that can be served if the funding level does not keep pace with the increase in the number of elderly using these services.

Risk: Without continued funding, there will be a reduction in the numbers of in-home services provided. A reduction or elimination of services could place many elders at risk and may lead to more institutional care.

LFD COMMENT The justification does not provide a reason to fund the request other than the legislature made the appropriation one time only. Performance criteria and goals do not address the risk identified if the funds are not continued. The performance indicators apply to the FY 2006 expenditure level and do not include the $125,000 annual increase in the executive budget

DP 22110 - Continue Aging In-Home Caregiver Program - This request would add $600,000 in general fund over the biennium for Area Agencies on Aging to provide in-home caregiver services to elderly citizens residing in their homes. These funds were appropriated as one-time-only in the 2007 biennium.

Justification: The 2005 Legislature appropriated $600,000 general fund as a biennial, restricted, one-time-only appropriation to support in-home caregiver services to contract with local providers. SLTC was prohibited from spending the appropriation for Medicaid matching funds. These funds were passed through to Area Agencies on Aging to provide in home caregiver services to elderly citizens residing in their homes.

Goal:

- Continue to provide in-home services and assistance to caregivers of the elderly as well as to those elderly who are involved in giving care and support to their disabled child and to persons providing support to those with or those who are taking care of someone who has Alzheimer's disease.
- Maintain the current level of caregiver services in the 2009 biennium

Performance Criteria: Continuation of these funds would provide:

- Respite Care Services - 6,000 units of service
- Personal Care Services - 2,000 units of service
- Homemaker Services - 1,200 units of service
- Adult Day Care - 600 units of service
- Transportation - 100 units
- Skilled Nursing - 50 units of service
- Other services are to provide caregivers information, assistance and information about options available to them.

Milestones: Continuation of these funds will allow SLTC to maintain care giver services at the current level of effort.

FTE: No additional FTE resources required.

Funding: This proposal is funded entirely from the general fund.

Obstacles: The major obstacle facing the program is finding quality health care workers in rural frontier counties to provide caregiver services.

Risk: Studies have indicated that without support, caregivers, especially if they are the sole caregiver for a spouse or loved one, usually end up needing more critical care than the one receiving care. If these funds are not continued, in-home caregiver services to elderly citizens residing in their homes will be reduced.

LFD COMMENT The justification does not indicate why the funds are needed, only that the appropriation does not continue. The legislature may wish to ask SLTC to provide an alternative. The risk of care giver burn out and illness could continue to occur even if the funding is approved. The legislature may wish to request that SLTC address this issue.

DP 22112 - Additional SHIP FTE for Aging Services - This request adds about $92,400 federal funds over the biennium for 1.00 FTE in the Aging Services Bureau for the State Health Insurance Program (SHIP). Current level funding supports 1.00 FTE in SHIP to act as the primary contact point in state government for persons with questions about Medicaid, Medicare, VA benefits for elderly citizens and the new Medicare prescription drug program (Part D), and other elder health related issues. The current FTE travels extensively to provide on-site presentations throughout the state.

DP 22127 - SLTC Alzheimer Grant Continuation - This decision package requests $290,000 in federal funds over the biennium. This is a continuation of funding for the third year of grant to implement goals and activities required to develop and/or improve systems for assistance to Montanans diagnosed with, or caring for those with, Alzheimer's disease and related disorders.

DP 22501 - Provider Rate Increases - The executive budget includes $179,013 general fund each year of the biennium for provider rate increases.

Sub-Program Details

SLTC DIVISION ADMINISTRATION 04

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	264,420	(6,959)	0	257,461	(6,208)	0	258,212	515,673
Operating Expenses	85,849	7,524	0	93,373	9,952	0	95,801	189,174
Total Costs	**$350,269**	**$565**	**$0**	**$350,834**	**$3,744**	**$0**	**$354,013**	**$704,847**
General Fund	156,580	231	0	156,811	1,646	0	158,226	315,037
State/Other Special	48,280	114	0	48,394	565	0	48,845	97,239
Federal Special	145,409	220	0	145,629	1,533	0	146,942	292,571
Total Funds	**$350,269**	**$565**	**$0**	**$350,834**	**$3,744**	**$0**	**$354,013**	**$704,847**

The SLTC division administration budget request grows about $4,000 over the biennium, including about $1,800 general fund, compared to base budget expenditures. Division administration costs are allocated across all division functions and the budget request maintains the base year funding distribution in the 2009 biennium request. Fixed cost rent increases are partially offset by reductions in personnel services due to position turnover and hiring new entrants at a lower salary level.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					3,768					4,551
Vacancy Savings					(10,727)					(10,759)
Inflation/Deflation					95					99
Fixed Costs					7,429					9,853
Total Statewide Present Law Adjustments					**$565**					**$3,744**
Grand Total All Present Law Adjustments					**$565**					**$3,744**

Sub-Program Details

ADULT PROTECTIVE SERVICES 05

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	39.75	0.00	1.50	41.25	0.00	1.50	41.25	41.25
Personal Services	1,798,321	219,436	71,698	2,089,455	224,947	71,784	2,095,052	4,184,507
Operating Expenses	338,283	92,161	3,000	433,444	102,545	1,300	442,128	875,572
Benefits & Claims	39,665	0	0	39,665	0	0	39,665	79,330
Total Costs	**$2,176,269**	**$311,597**	**$74,698**	**$2,562,564**	**$327,492**	**$73,084**	**$2,576,845**	**$5,139,409**
General Fund	1,537,303	309,975	0	1,847,278	324,569	0	1,861,872	3,709,150
State/Other Special	244,240	(745)	74,698	318,193	(743)	73,084	316,581	634,774
Federal Special	394,726	2,367	0	397,093	3,666	0	398,392	795,485
Total Funds	**$2,176,269**	**$311,597**	**$74,698**	**$2,562,564**	**$327,492**	**$73,084**	**$2,576,845**	**$5,139,409**

The Adult Protective Services (APS) program is responsible for the investigation of abuse, neglect, and exploitation of adults. Additionally, the program has about $40,000 annually to help provide emergency services such as temporary lodging and cleaning. The majority of FTE in the program are adult protective services social workers.

The budget request shows a net increase of about $0.9 million, primarily in general fund, over the biennium. The most significant increase results from adjustments to base budget personal services that add about $400,000 over the biennium largely due to reclassification of APS social worker positions. About $158,000 in lien and estate recovery state special revenue is requested over the biennium to fund 1.50 new FTE. Other components of the budget request are funded almost entirely by general fund and would pay for maintenance of a new computer data base (about $105,000), replacement cars (about $48,000), and rent increases (about $24,000).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008 FTE	Fiscal 2008 General Fund	Fiscal 2008 State Special	Fiscal 2008 Federal Special	Fiscal 2008 Total Funds	Fiscal 2009 FTE	Fiscal 2009 General Fund	Fiscal 2009 State Special	Fiscal 2009 Federal Special	Fiscal 2009 Total Funds
Personal Services					303,508					309,250
Vacancy Savings					(84,072)					(84,303)
Inflation/Deflation					8,380					8,829
Fixed Costs					(7,213)					(7,213)
Total Statewide Present Law Adjustments					**$220,603**					**$226,563**
DP 22201 - SLTC Field Office Rent Adjustment	0.00	10,909	0	4,005	14,914	0.00	19,527	0	4,863	24,390
DP 22204 - Adult Protective Services Database Maintenance	0.00	50,886	0	1,846	52,732	0.00	50,886	0	1,846	52,732
DP 22206 - Dept of Transportation Cars	0.00	11,674	0	11,674	23,348	0.00	11,903	0	11,904	23,807
Total Other Present Law Adjustments	**0.00**	**$73,469**	**$0**	**$17,525**	**$90,994**	**0.00**	**$82,316**	**$0**	**$18,613**	**$100,929**
Grand Total All Present Law Adjustments					**$311,597**					**$327,492**

DP 22201 - SLTC Field Office Rent Adjustment - This request totals $39,304 for the biennium, including $30,166 in general fund, to pay rent increases. Base year costs were $111,425. Funding would support an annual rent increase of about 6.5 percent from FY 2006 through FY 2009.

DP 22204 - Adult Protective Services Database Maintenance - This request for $105,464 over the biennium ($101,772 general fund) would maintain the APS client database implemented in FY 2006. The database tracks APS cases, complexity and outcomes. This database records documentation for all APS cases and allows managers to equalize caseload among APS field staff based on acuity measures that were incorporated into the database.

LFD ISSUE

The APS data base was completed in FY 2005 and was operational beginning in FY 2006. It also appears that the maintenance contract was funded throughout FY 2006. The maintenance costs were paid in the base budget.

DP 22206 - Dept of Transportation Cars - This request for $47,155 total funds over the biennium including $23,577 general fund would replace six cars owned by SLTC with cars leased from the state motor pool. One of the cars has major mechanical problems and five of the cars have over $125,000 miles.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22239 - Adult Protective Services Field Staff										
05	1.50	0	74,698	0	74,698	1.50	0	73,084	0	73,084
Total	**1.50**	**$0**	**$74,698**	**$0**	**$74,698**	**1.50**	**$0**	**$73,084**	**$0**	**$73,084**

DP 22239 - Adult Protective Services Field Staff - This request adds $147,782 in lien and estate recovery state special revenue over the biennium to fund 1.50 FTE field staff for APS referrals. The new staff would be 0.50 FTE to work exclusively with tribal issues on the Fort Peck Tribal Reservation and 1.00 FTE to meet increasing needs for guardianships and referrals. This FTE would be allocated across the state based on data gathered from new workload/caseload management system Operation Protect Montana (OPM), which has replaced APS use of the Child and Adult Protective Services system.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	572.75	36.60	16.00	625.35	36.60	57.69	667.04	667.04
Personal Services	28,079,552	4,863,712	793,083	33,736,347	5,214,355	3,084,932	36,378,839	70,115,186
Operating Expenses	10,063,759	908,528	1,059,528	12,031,815	1,374,516	2,334,498	13,772,773	25,804,588
Equipment	27,000	0	30,000	57,000	0	0	27,000	84,000
Capital Outlay	0	0	450,000	450,000	0	0	0	450,000
Grants	6,634,137	0	4,151,912	10,786,049	0	4,152,683	10,786,820	21,572,869
Benefits & Claims	46,337,774	10,818,101	3,183,088	60,338,963	12,305,367	3,289,290	61,932,431	122,271,394
Transfers	0	0	0	0	0	0	0	0
Debt Service	106,196	0	2,700	108,896	0	66,000	172,196	281,092
Total Costs	**$91,248,418**	**$16,590,341**	**$9,670,311**	**$117,509,070**	**$18,894,238**	**$12,927,403**	**$123,070,059**	**$240,579,129**
General Fund	44,871,341	7,595,457	5,560,267	58,027,065	8,764,185	9,058,553	62,694,079	120,721,144
State/Other Special	8,646,414	1,969,789	748,079	11,364,282	2,082,653	434,116	11,163,183	22,527,465
Federal Special	37,730,663	7,025,095	3,361,965	48,117,723	8,047,400	3,434,734	49,212,797	97,330,520
Total Funds	**$91,248,418**	**$16,590,341**	**$9,670,311**	**$117,509,070**	**$18,894,238**	**$12,927,403**	**$123,070,059**	**$240,579,129**

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level who have a serious and disabling mental illness. Montana State Hospital (MSH) at Warm Springs (189 licensed beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (165 beds available/75 beds budgeted) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Statutory references: mental health - Title 53, Chapter 21, parts 1 through 7 and part 10, MCA, and P. L. 102-321, CFR; chemical dependency - Title 53, Chapters 1 and 24, MCA; Medicaid services - Title XIX of the Social Security Act.

Program Highlights

Addictive and Mental Disorders Division
Major Budget Highlights

- The executive budget request grows $58.1 million, including $31.0 million general fund, over the biennium compared to base budget expenditures and includes funding for 94.29 new FTE, with all but 6.00 of the new FTE for state institutions
- A new proposal to operate a 120 bed facility for forensic patients on the Warm Springs campus, with 60 of the beds for the Department of Corrections, adds $4.1 million general fund and 41.69 FTE
    - The long range building proposal includes $5.8 million general fund to remodel the receiving hospital for the WATCh program (4th DUI

offense), which is currently housed in the Dr. Xanthopolis (Dr. X) building, and to remodel the Dr. X building for the forensic program

- Community services for mental health crisis stabilization adds $8.3 million total funds, including $5.4 million general fund, over the biennium
  - A new proposal for 72 hour crisis services adds $4.1million total funds, including $3.7 million general fund
  - Anticipated utilization growth in Medicaid inpatient hospital services and a 10 bed expansion for non secure Medicaid crisis services adds $4.3 million total funds, including $1.5 million general fund
- A new proposal to expand community treatment services for methamphetamine and chemical dependency adds $4.0 million general fund over the biennium
- A one time request for $1.0 million general fund in FY 2009 augments private efforts for education about and prevention of methamphetamine abuse

Major LFD Issues

- The executive budget general fund request for new and expanded mental health services is primarily related to managing the Montana State Hospital population
- The new 120 bed Secure Treatment and Examination Program (STEP) is not clearly defined and the total annualized cost that would be requested in FY 2010 to operate the program is not available
- The lack of public participation over the nearly 11 month process to develop STEP has precluded a robust dialogue about the program, including identification of alternatives that the legislature might consider in addition to or in place of STEP
- Mental health services designed to serve persons with intensive needs in the community have not developed to funded capacity during the 2007 biennium
  - If the legislature approves the executive request, it may wish to ask AMDD how it will ensure that the new services proposed for community crisis stabilization and to help persons transition from the state hospital are developed to full capacity
- The executive budget does not anticipate a population change at the state hospital despite the addition of the STEP program and expanded services to limit inappropriate placements in the hospital and assist persons discharged from the hospital
- The executive budget requests more funding from alcohol state special revenue allocated to DPHHS than is estimated to be available
- The executive budget requests general fund for chemical dependency provider rate increases and the new methamphetamine and chemical dependency program
  - The legislature could consider raising alcohol taxes to replace general fund if it approves the requests

Program Narrative

The AMDD executive budget request grows from a base budget of $91.2 million to $117.5 million in FY 2008 and $123.1 million in FY 2009. Figure 86 shows the base budget compared to total budget increases requested by fiscal year.

Figure 86
Executive Budget Request - Addictive and Mental Disorders
2009 Biennium Budget Changes Compared to Base Budget

Budget Category	Base Budget	FY 2008 Change	Percent of Total	FY 2009 Change	Percent of Total
Personal Services	$28,079,552	$5,656,795	21.5%	$8,299,287	26.1%
Operating Expenses	10,063,759	1,968,056	7.5%	3,709,014	11.7%
Equipment	27,000	30,000	0.1%	0	0.0%
Capital Outlay	0	450,000	1.7%	0	0.0%
Grants	6,634,137	4,151,912	15.8%	4,152,683	13.0%
Benefits & Claims	46,337,774	14,001,189	53.3%	15,594,657	49.0%
Transfers	0	0	0.0%	0	0.0%
Debt Service	106,196	2,700	0.0%	66,000	0.2%
Total Costs	$91,248,418	$26,260,652	100.0%	$31,821,641	100.0%
General Fund	$44,871,341	$13,155,724	50.1%	$17,822,738	56.0%
State/Other Special	8,646,414	2,717,868	10.3%	2,516,769	7.9%
Federal Special	37,730,663	10,387,060	39.6%	11,482,134	36.1%
Total Funds	$91,248,418	$26,260,652	100.0%	$31,821,641	100.0%
Percent Change		28.8%		34.9%	

The executive budget grows $26.3 million in FY 2008 (28.8 percent above the base budget) and $31.8 million (34.9 percent above the base budget). Over half of the increase each year is funded from general fund. Slightly more than a third of the growth is funded from federal funds.

Most of the increase is for present law adjustments for Medicaid service and eligibility increases. Operating and personnel costs at state institutions, including a new proposal to implement a 120 bed forensic program in the Dr. X building on the state hospital campus to serve the Department of Corrections and state hospital populations, add more than a third of the FY 2009 increase. Grant expenditures grow to fund mental health initiatives to help prevent placement of persons in the state hospital and assist persons when they are discharged and also include new proposals for community treatment of methamphetamine and other drugs.

LFD COMMENT

Due to an oversight, $3.3 million of general fund costs due to over runs at MSH were left in the FY 2006 base budget. These costs are usually removed from base budget costs. The $3.3 million is in the personal services category of expenditure and is due to 36.60 modified FTE authorized by the Governor's budget office due to higher than anticipated MSH populations. The executive budget includes a present law adjustment to continue the FTE.

AMDD Budget by Function

Figure 87 shows the base budget and executive request for the three functions managed by AMDD. Mental health services is the most significant component of the AMDD budget, comprising 83.7 percent of the FY 2009 budget request. Medicaid services account for 40.1 percent of the FY 2009 budget request, while the two state mental health institutions are nearly a third.

Benefits expenditures are largest single cost, accounting for just over half of the FY 2009 budget request. Medicaid mental health services is the single largest benefit, weighing in at 40.1 percent of the FY 2009 budget. Institutions account for 36.4 percent of the total and grants are 8.8 percent.

General fund increases $30.5 million over the biennium with the majority of the increase ($26.3 million) to support adult mental health services. Taken in aggregate the budget adjustments for MSH add the most general fund - $12.2 million, while Medicaid caseload growth adds $5.4 million. Other significant changes include the new chemical dependency and meth community treatment program, a one time appropriation to supplement private meth education that adds $5.0 million, and present law adjustments for the nursing care center that add $1.4 million.

Figure 87

Addictive and Mental Disorders Division FY 2006 Base Budget Expenditures Compared to 2009 Biennium Executive Budget Request

Budget Component	FY 2006 Base Budget				FY 2008 Executive Request				FY 2009 Executive Request				% of Ttl
Function/Benefit	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Division
Total Division													
Division Admin.	$462,178	$88,702	$500,764	$1,051,644	$477,886	$169,817	$512,013	$1,159,716	$484,739	$170,487	$514,470	$1,169,696	1.0%
Mental Health*	44,369,309	4,930,486	29,151,029	78,450,824	55,346,987	6,663,326	36,653,409	98,663,722	59,047,002	6,336,901	37,662,435	103,046,338	83.7%
Addiction Services	39,854	3,627,226	8,078,870	11,745,950	2,202,192	4,531,139	10,952,301	17,685,632	3,162,338	4,655,795	11,035,892	18,854,025	15.3%
Total Division	$44,871,341	$8,646,414	$37,730,663	$91,248,418	$58,027,065	$11,364,282	$48,117,723	$117,509,070	$62,694,079	$11,163,183	$49,212,797	$123,070,059	100.0%
Percent of Total	49.2%	9.5%	41.3%	100.0%	49.4%	9.7%	40.9%	100.0%	50.9%	9.1%	40.0%	100.0%	
Compounded Annual Rate of Change from Base					13.7%	14.6%	12.9%	13.5%	11.8%	8.9%	9.3%	10.5%	
State Institution Costs													
State Hospital	$24,505,773	$427,063	$0	$24,932,836	$29,007,726	$435,101	$0	$29,442,827	$32,129,028	$75,000	$0	$32,204,028	26.2%
Nursing Care Center	6,776,312	0	0	6,776,312	8,124,421	0	0	8,124,421	8,283,753	0	0	8,283,753	6.7%
Chemical Dependency Ctr	0	3,014,474	420,000	3,434,474	0	3,678,702	560,929	4,239,631	0	3,738,680	584,127	4,322,807	3.5%
Subtotal Institutions	$31,282,085	$3,441,537	$420,000	$35,143,622	$37,132,147	$4,113,803	$560,929	$41,806,879	$40,412,781	$3,813,680	$584,127	$44,810,588	$0
% of Total Division Budget	69.7%	39.8%	1.1%	38.5%	64.0%	36.2%	1.2%	35.6%	64.5%	34.2%	1.2%	36.4%	
Compounded Annual Rate of Change from Base					8.9%	9.3%		9.1%	8.9%	3.5%		8.4%	
Grants													
Mental Health Services													
Mental Health Srvs Plan*	$3,537,204	$0	$1,228,490	$4,765,694	$3,656,346	$0	$1,228,490	$4,884,836	$3,657,117	$0	$1,228,490	$4,885,607	4.0%
72 Hr Crisis Care	0	0	0	0	1,861,245	0	171,525	2,032,770	1,860,334	0	172,436	2,032,770	1.7%
PATH/Homeless Srvs	94,148	0	287,008	381,156	94,148	0	287,008	381,156	94,148	0	287,008	381,156	0.3%
HUB Drop In - Billings	50,000	0	0	50,000	50,000	0	0	50,000	50,000	0	0	50,000	0.0%
Service Area Authorities	45,000	0	0	45,000	45,000	0	0	45,000	45,000	0	0	45,000	0.0%
Addiction Services													
Community Services	0	0	1,392,287	1,392,287	162,338	0	3,229,949	3,392,287	162,338	0	3,229,949	3,392,287	2.8%
Subtotal Grants	$3,726,352	$0	$2,907,785	$6,634,137	$5,869,077	$0	$4,916,972	$10,786,049	$5,868,937	$0	$4,917,883	$10,786,820	8.8%
% of Total Division Budget	8.3%	0.0%	7.7%	7.3%	10.1%	0.0%	10.2%	9.2%	9.4%	0.0%	10.0%	8.8%	
Compounded Annual Rate of Change from Base				0	25.5%	n/a	30.0%	27.5%	16.3%	n/a	19.1%	17.6%	
Benefits/Services													
Medicaid													
Mental Health*	$8,455,857	$1,350,818	$26,817,454	$36,624,129	$10,903,974	$3,075,620	$33,908,294	$47,887,888	$11,372,818	$3,109,296	$34,915,767	$49,397,881	40.1%
Chemical Dependency	0	362,211	871,161	1,233,372	0	574,952	1,256,691	1,831,643	0	603,088	1,312,084	1,915,172	1.6%
Other Benefits													
Mental Health Srvs Plan*	173,279	3,152,605	0	3,325,884	173,279	3,152,605	0	3,325,884	173,279	3,152,605	0	3,325,884	2.7%
Peer Support - MH	0	0	0	0	50,000	0	0	50,000	50,000	0	0	50,000	0.0%
Chemical Dependency	0	0	5,154,554	5,154,554	2,089,159	0	5,154,554	7,243,713	2,089,105	0	5,154,554	7,243,659	5.9%
Adjustments	0	0	(165)	(165)	0	0	(165)	(165)	0	0	(165)	(165)	0.0%
Subtotal Benefits	$8,629,136	$4,865,634	$32,843,004	$46,337,774	$11,077,253	$6,803,177	$35,164,985	$60,338,963	$11,546,097	$6,864,989	$36,227,851	$61,932,431	50.3%
% of Total Division Budget	19.2%	56.3%	87.0%	50.8%	19.1%	59.9%	73.1%	51.3%	18.4%	61.5%	73.6%	50.3%	
Compounded Annual Rate of Change from Base					13.3%	18.2%	3.5%	14.1%	10.2%	12.2%	3.3%	10.2%	

*Mental Health Services Plan benefits appropriation would be used as state Medicaid match if the HIFA waiver is approved.

State institution costs comprise 64.5 percent of total general fund expenditures in the FY 2009 budget request, down from their 69.7 percent share in base budget costs, despite implementation of a new 120 bed facility for forensic patients with a mental illness. The STEP program adds $3.4 million general fund in the last half of FY 2009, including 41.69 FTE.

Grants increase about $8.2 million annually. Grant expenditures include:

- Mental Health Services Plan (MSHP)
  - Fixed amount contracts with Community Mental Health Centers to provide services to adults with a serious and disabling mental illness who have incomes under 150 percent of the federal poverty level
  - Funded from general fund and the mental health federal block grant
- 72 hour crisis services
  - New proposal to develop community mental health crisis services supported by general fund
- Homeless services for mentally ill persons
  - Contracts funded from federal grant funds
- HUB Drop-in and Service Area Authority (SAA) funding
  - General fund grants to support a mental health drop-in center in Billings and provide operating funds for the three regional SAAs for meetings of members (consumers and other appointees) to provide input to AMDD on development and administration of the mental health system
- Community chemical dependency services
  - Contracts with state approved providers funded from the federal substance abuse block grant

Benefit expenditures include Medicaid services, local chemical dependency services, MHSP drug benefits, and a new proposal to fund peer support. Medicaid services are funded with federal funds, general fund, and state special revenue. Chemical dependency services are funded with federal block grant funds and general fund for new community treatment services. MSHP drug benefits are funded with health and Medicaid initiative state special revenue funds.

The MHSP state special revenue supporting drug benefits will be used as state Medicaid match if the Health Insurance Flexibility and Accountability (HIFA) waiver is approved. MHSP funding is not an allowable statutory use of health and Medicaid initiatives funding, but the Medicaid services expansions in the HIFA waiver are an allowable use. The HIFA waiver is discussed in greater detail the Director's Office budget narrative. DPHHS has not yet received federal approval to implement the HIFA waiver.

Figure 88

Base Budget Compared to 2009 Biennium Budget Request

Institutions Administered by AMDD

Institution Cost/Funding	Actual FY 2006	Requested FY 2008	Requested FY 2009
Montana State Hospital			
FTE	369.80	406.40	406.40
Personal Services*	$19,832,681	$22,942,085	$23,196,773
All Other	5,100,155	5,668,426	5,626,452
Total	$24,932,836	$28,610,511	$28,823,225
General Fund	$24,505,773	$29,007,726	$28,748,225
State Special Rev.	427,063	435,101	75,000
Population	199	199	199
Costs Per Person	$125,291	$143,771	$144,840
Cost Per Day	$343	$394	$397
Annual Increase		8.8%	0.7%
Mental Health Nursing Care Center			
FTE	122.70	122.70	122.70
Personal Services	$4,406,410	$5,544,321	$5,606,262
All Other*	2,369,902	2,580,100	3,217,491
Total	$6,776,312	$8,124,421	$8,823,753
General Fund	$6,776,312	$8,124,421	$8,823,753
Population	80	81	81
Cost Per Person	$29,624	$31,853	$39,722
Cost Per Day	$81	$87	$109
Annual Increase		9.5%	24.7%
Montana Chemical Dependency Center			
FTE	48.25	54.25	54.25
Personal Services	$2,225,176	$2,840,210	$2,869,490
All Other*	1,209,298	1,399,421	1,453,317
Total	$3,434,474	$4,239,631	$4,322,807
State Special Rev.	$3,014,174	$3,678,702	$3,738,680
Federal Funds	420,000	560,929	584,127
Population	80	81	81
Cost Per Person	$84,704	$100,301	$108,935
Cost Per Day	$232	$275	$298
Annual Increase		9.5%	8.6%
Secure Treatment Evaluation Program (STEP)			
FTE		0.00	41.69
Personal Services		$0	$2,287,930
All Other		0	740,810
One Time Start Up		832,316	0
Total		$832,316	$3,028,740
General Fund		$832,316	$3,380,803
State Special Rev.		0	(352,063)
Population			60
Costs Per Person			$50,479
Cost Per Day			$138
Total Division Institution Budget			
FTE	540.75	583.35	625.04
% of Division Total	94.4%	93.3%	93.7%
General Fund**	$31,282,085	$37,132,147	$37,571,978
% of Division Total	69.7%	64.0%	59.9%
Annual Growth Rate		8.9%	1.2%

*STEP program costs represent only partial year costs.

Institution Budgets

A healthy portion of the AMDD budget supports three state institutions. Figure 88 shows each institution, the executive budget request, the anticipated average daily population, and the estimated daily cost.

In aggregate, state institution costs rise from $31.3 million in the base budget year to $40.1 million in the FY 2009 budget request, at an annual growth rate of 9.4 percent. State institution FTE rise from 94.4 percent of total division FTE to 94.8 percent over the same time period. As noted previously, $2.1 million in supplemental costs for 36.60 modified FTE were inadvertently not removed from the state hospital budget.

The average daily cost for state hospital care was $343 per day in the base budget and grows to $402 in FY 2009. Cost increases are due to annualziation of the cost of the 36.60 FTE and operating cost increases in medical and prescription drug costs, food, and utilities.

The nursing care center average daily cost grows from $81 in the base budget to $109 in FY 2009. Cost increases are due to medical, prescription drug, and food and utility costs, including fully funding personal services costs.

One of the most significant changes to institutional spending is the new proposal to develop a 120 bed forensic program on the MSH campus. STEP would come on line during FY 2009 so the costs shown in Figure 88 are for only a partial year of operation.

Another significant budget change is the request to continue funding for 36.60 FTE added to MSH in FY 2006 and for 6.00 new FTE to MCDC. The FTE requests are due in some measure to treating more difficult patients who sometimes exhibit harmful behaviors. MSH population levels have exceeded licensed capacity throughout FY 2006, which is another reason new staff were requested. Additional staff will help MCDC raise the census and lower the per person cost of providing services.

All other cost increases are related to reinstatement of overtime pay, funding vacancies, reclassification, and upgrades for medical staff; and inflation in operating costs.

LFD ISSUE

Budget Request Emphasizes Management of State Hospital Population

New spending initiatives in the executive budget emphasize serving the current and potential population at the state hospital. This discussion raises several issues for legislative consideration including:

- Potential understatement of the state hospital FY 2007 supplemental appropriation amount
- Estimates of the impact of executive budget initiatives on MSH populations and the annualized cost of STEP
- Development of community services to support those with the most intense service needs
- Linkages to community services from the new crisis service funding proposed by the executive
- Development of outcome and performance measures related to system performance

Background

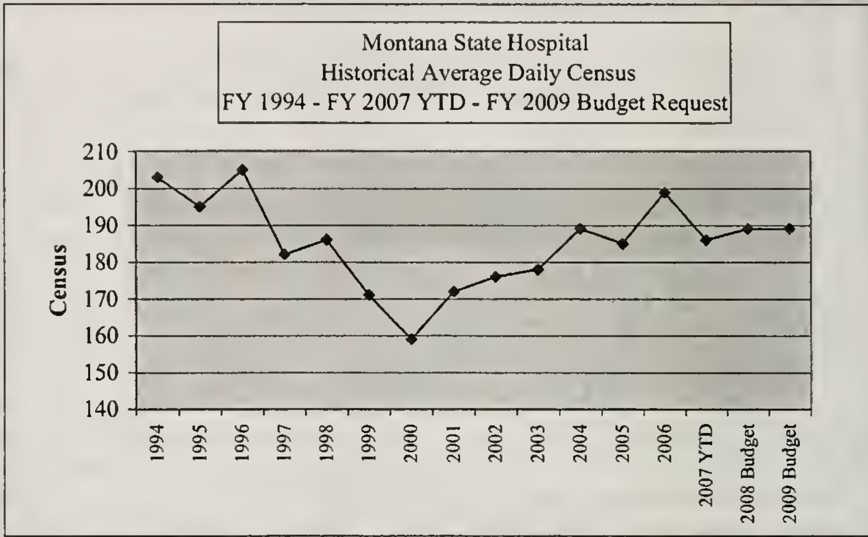
DPHHS is statutorily responsible to provide services to persons with a mental illness who are committed to the state hospital, but is not required to provide community services that would prevent placement in the state hospital.

MSH population levels rose substantially during FY 2006. Figure 89 shows the MSH average daily population (ADP) from FY 1994 through FY 2006, with the FY 2007 year to date level, and the ADP funded by the executive budget.

LFD ISSUE CONT.

During FY 2006, MSH populations were above 200 some days. In an effort to ensure continued hospital licensure and provide adequate treatment levels and patient and staff safety at the higher population, the Governor's budget office approved the addition of 36.60 modified FTE and pay increases for certain medical staff, contributing to a $2.1 million general fund cost over run in FY 2006. Continued funding for these FTE is a present law adjustment in the executive request.

Figure 89



The Governor's budget includes a supplemental appropriation request for $3.0 million general fund for FY 2007 state hospital costs, $0.9 million greater than the FY 2006 cost over run. The 36.60 FTE added above funded FTE levels continued into FY 2007 and should add another $1.7 million to MSH costs, not including overtime, shift differential, or holiday pay. Legislative staff has requested that DPHHS explain why the MSH supplemental will be less than double the FY 2006 shortfall.

There will always be a need for hospital stabilization of acute disease episodes as with any major, chronic health problem. But despite that need, it is difficult to determine and quantify the causes of the growing hospital population. Some explanations include shortages of community inpatient hospital services, lack of community services in general, inability to access community services, inability to pay for services, and better recognition of mental illness and diversion to appropriate treatment.

A statistic cited by AMDD that has remained fairly constant over the years is that about half of the admissions to MSH are persons who are "unknown" to the Montana mental health system. Again, determining why admission to the state hospital would be the first point of contact with the state mental health system is difficult. In addition to causes noted previously, some persons with a serious and disabling mental illness are mobile and migrate into the state and could therefore be unknown, or perhaps the first serious episode of the illness would be significant enough for a person to be admitted to MSH, bypassing community services. However, executive budget justification for the 72 hour crisis services states that 40 percent of admissions to MSH would be unnecessary if persons could be stabilized in the appropriate community services.

Regardless of the reason for admission to MSH, it is clear that adequate community services are necessary to help persons manage their illness and minimize hospitalization. Community services are also necessary to facilitate persons' discharge from MSH.

Community Services Funding

There are two programs to help pay for mental health services for adults with a serious and disabling mental illness – Medicaid and MSHP. Both have income eligibility requirements. Medicaid also has an asset limit and persons must meet federal Social Security disability criteria. Medicaid is jointly funded by the state and federal governments, while MHSP is funded from state general fund, health and Medicaid initiatives account state special revenue, and the federal mental health block grant. MHSP is a program for adults with incomes up to 150 percent of the federal poverty level.

LFD ISSUE CONT.

Medicaid includes a rich array of services and is an entitlement, meaning that if:

- A person qualifies for service;
- The service is medically necessary and covered by the state Medicaid plan; and
- A provider will accept or admit the person for services; then
- The Medicaid program must pay for services received by that person.

MHSP is not an entitlement and the covered services are more limited than the Medicaid program. Additionally, except for payment for prescription drugs, MHSP services are funded through fixed contracts with community providers. Anecdotal evidence is that the number of and access to some mental health services for MHSP eligible persons are rationed because of the fixed funding levels.

Community Services Expansions

Over the last several biennia, legislatures have approved mental health service expansions at the request of the executive. Some of the initiatives have been proposed as ways to improve community services to help stabilize illness symptoms and to promote recovery and to help transition persons to services once they are ready to be discharged from MSH. In addition to funding customary mental health services (prescription drugs, counseling, and medication management) and some unique services such as foster care and adult group homes, the legislature has funded specific, specialized services requested by the executive. These expansions, all initiated in the 2005 biennium, were:

- Behavior Health Inpatient Facilities (BHIFs)
  - 15 bed hospital facilities for persons with a severe and disabling mental illness who may also have a co-occurring chemical dependency
  - Funding for one facility in the 2005 biennium
- Program for Assertive Community Treatment (PACT)
  - Evidence based model using a team staffed with specific, required expertise to provide 24 hour community support to adults with certain diagnoses of a serious and disabling mental illness, initiated in the 2005 biennium
  - At least 75 percent of services must be provided out side of an office setting
  - Funding for 335 slots in FY 2007
- Intensive Community Based Rehabilitation (ICBR)
  - Services for adults with a serious and disabling mental illness who require a richer level of community support than provided by other mental health services, initiated in the 2005 biennium
  - Funding for 33 slots in FY 2007

These three new services are highlighted because they are specifically designed to support persons who need more intense levels of service in a community setting and could help some persons transition from or avoid placement in MSH. BHIFs were not developed because the level of reimbursement was not perceived to be adequate to cover the services that would have been required. PACT and ICBR have both been implemented, although the utilization of services is below the level funded. The executive budget includes $2.9 million total funds, including $0.9 million general fund, to support both PACT and ICBR at the level anticipated during FY 2007.

The legislature may wish to request that AMDD provide information about the barriers and obstacles of bringing PACT and ICBR capacity up to funded levels and how those barriers and obstacles could be overcome. The legislature may wish to request that AMDD develop specific milestones and goals and report to an interim legislative body on progress toward those goals.

LFD ISSUE CONT.

New Initiative Spending Emphasizes MSH

The majority of new general fund requested in the executive budget for mental health services supports initiatives related to management of the state hospital population, either directly such as the request for STEP or indirectly through implementation of community services designed to provide alternative community services or assistance when persons are discharged from the state hospital. Figure 90 lists all present law adjustments and new proposals in the executive budget that are directly related to MSH operation. Requests for community services expansions where the executive justification notes its relationship to either preventing placement in MSH or helping transition upon discharge from MSH are also included in the table. However, at some level, it should be noted that all mental health community services could be considered to reduce the potential for admission to MSH.

Figure 90
Mental Health Executive Budget Request - Present Law Adjustments and New Proposals
Initiatives to Directly or Indirectly Stabilize MSH Population Levels

	FY 2008		FY 2009	
Budget Request	General Fund	Total	General Fund	Total
STEP	$832,316	$832,316	$3,380,803	$3,380,803
MSH Overtime/Operating	2,181,198	2,189,236	2,503,880	2,503,880
72 Hour Community Crisis Services	1,861,245	2,032,770	1,860,334	2,032,770
36.60 New MSH FTE	1,668,572	1,668,572	1,683,031	1,683,031
5.00 FTE & Short Term Community Support	535,226	535,226	485,165	485,165
Subtotal MSH Related	$7,078,557	$7,258,120	$9,913,213	$10,085,649
Total Mental Health Changes Requested	$10,977,678	$19,989,130	$14,677,693	$24,486,755
MSH Related Change as a % of Total Change	64.5%	36.3%	67.5%	41.2%

The STEP program is the most notable of the requests because it involves implementation of a new 120 bed program and renovation of two state buildings. The renovation costs are not included in Figure 90, but are included in the long range building request at an estimated cost of $5.8 million general fund. (Other long range building requests add an additional $4.5 million general fund to improve and renovate MSH support services.) 72 hour community crisis services, proposed in part to help reduce admissions to MSH, add $3.7 million over the biennium. Other additions to fund peer specialists and funding for short term benefits are proposed to assist persons transitioning from MSH to community services. The Medicaid service growth includes anticipated utilization of such services as non secure community crisis beds and inpatient hospitalization, but those changes are not included in Figure 90.

Despite initiatives aimed at reducing MSH admissions and its population levels, the executive budget does not include any population or funding reductions for MSH. The legislature may wish to ask AMDD whether the initiatives in the executive budget will reduce admissions to and the population of MSH and if so, what the revised population projection would be. The legislature may also wish to ask AMDD what steps it will take to ensure that the new community services to reduce institutional admission are developed at the capacity funded in the executive request.

Linking Persons to Community Services

One of the executive justifications for requesting funds for 72 hour community crisis services is to prevent admissions to MSH. The executive explanation notes that about 40 percent of admissions to MSH do not require high-end care after a brief stabilization period.

While persons may not need high end care after short term stabilization, they may need to access other community mental health services in order to remain stable and not recidivate into hospital level of care. The executive budget has a specific proposal to help persons link to community services once they are discharged from MSH to avoid re-hospitalization, but there is no explanation of what could be done to improve the process to link persons to community services after a brief crisis stabilization service in the community.

LFD staff has requested that AMDD discuss with the legislature specific steps that could be taken to link persons with community services to avoid the "revolving door". Since half of state hospital admissions are unknown to the mental health system, it seems that some persons receiving crisis stabilization could also be unknown to the system and need the same types of assistance as those being discharged from MSH.

LFD ISSUE CONT.

Option

The legislature could evaluate AMDD suggestions about how to help persons link to community mental health services after short term crisis stabilization. If persons cannot access mental health services, it is more likely they could use additional hospital services, potentially undermining the positive outcomes expected by AMDD.

STEP

Department of Corrections (DOC) and DPHHS began meeting during Governor Martz's administration to "build bridges" between the two departments in order to better serve offenders with a mental illness. In January 2006, department representatives met with the initial goal of increasing beds for DOC because of escalating inmate populations. Executive branch staff continued to meet throughout 2006 while the STEP proposal took shape. As late as August 2006, the proposal had not been fleshed out, but was discussed in summary with mental health advisory groups and at the final meeting of the Interim Children, Families, Health, and Human Services Committee. The proposal was not included in the DPHHS budget request submitted in early September.

LFD staff was able to obtain a two page explanation of the STEP proposal in late October, but was not provided any additional explanation or financial detail until early November. The late introduction of the proposal and lack of public dialogue has precluded a meaningful analysis of the STEP program and a healthy public discussion that could have identified alternatives or improvements to the proposal for legislative consideration. However, LFD staff has the following observations and questions.

Annualized Cost

STEP will be implemented in the last half of FY 2009. Therefore, the costs included in the executive budget are lower than the annualized cost would be for FY 2010 and beyond. LFD staff estimates that the total number of FTE for STEP in 2010 would be 121.40 compared to the 41.69 FTE requested in FY 2009. The difference is due to:

- Annualization of partial year FTE to 62.40
- Transfer of 59.00 FTE from MSH

AMDD has estimated the annualized cost to support the 60 DOC slots including the 62.40 new FTE at $4.6 million or about $1.6 million higher than the FY 2009 request. However, the funding necessary to support the FTE and operating cost funds transferred from MSH to STEP has not been determined.

The departments have not identified the persons who would be transferred to STEP when it opens. Therefore, it is unknown what impact STEP may have on MSH population levels and the potential impact on future MSH operating costs.

Option

The legislature may wish to request that DPHHS provide the estimated total annualized cost to operate STEP and MSH when STEP comes on line. The legislature may also wish to ask DPHHS what the combined impact on MSH populations and costs would be if the entire executive budget proposal were implemented.

LFD ISSUE CONT.

Alternatives

In its second annual listening tour across the state, AMDD staff prepared guiding principles for mental health services and expansions as well as the service needs identified during the listening tour, which were presented to the Interim Committee on Children, Families, Health and Human Services. The guiding principles are:

- Consumer driven
- Closer to home
- Regional service delivery
- Recovery focused
- Supports consumer choice of provider
- Quick, responsive access
- Build services, not beds
- Holistic care

The alternatives identified to help manage the MSH population were summarized in the presentation, including a comment that input on the alternatives was invited and welcomed. The alternatives listed were:

- Upgrade crisis beds to secure
- Peer support services
- Community sponsor/advocate for an individual being discharged from MSH
- 72-hour presumptive eligibility for crisis services
- Suicidal enrollment: individuals who are at imminent risk of self-harm are automatically eligible for 30 days of services, regardless of income (also pre-1997 state policy).
- Increase MHSP income eligibility level from 50 to 200 percent of the federal poverty level or eliminate MSHP income guidelines, reinstate sliding fee charges, and provide state funds to make up the difference between charges and collections.
- Provide assistance to community hospitals such as providing 24/7 evaluation and assessment services via telemedicine video from MSH staff, providing emergency room personnel with specialized training, paying for aide services, and increasing the reimbursement for crisis services
- Recruit/Retain Professional Staff

Alternatives specific to the hospital were:

- Pre-adjudication evaluations
- Special needs wrap funding
- Discharge medications
- Patient assistance in community setting

Some of these initiatives presented by AMDD in January 2006 are included in the executive budget request. However, creation of new state hospital beds was not included in the list, nor was a program to help DOC manage its population with a severe and disabling mental illness.

LFD ISSUE CONT.

Development of a new institution-based service is a major step. The legislature implemented a mental health advisory structure in statute (53-21-702(4)(a), and 53-21-106, MCA), and made some statutory changes at the recommendation of AMDD, to ensure public input about the types and structure of mental health services administered by AMDD. Statutory advisory groups include the Mental Health Oversight Advisory Council, and regional Service Area Authorities (SAAs). Local Advisory Councils (LACs) were established to provide input to SAAs and are referenced in statute as well (53-21-1013, MCA). In addition, the legislature has initiated interim studies of mental health services for the last three biennia, with the most recent study goal to collaborate with the executive branch in developing mental health system improvements. However, there has been limited information provided about deliberations of the executive branch group considering the STEP proposal and the meetings were not announced so that interested persons could attend and understand the public policy decisions being considered. The lack of public discussion has precluded identification of and discussions about alternatives or improvements to the STEP program that might be considered by the legislature as well as DPHHS to address forensic population issues at MSH and the shortage of beds for DOC.

Option

The legislature could consider the following options to evaluate the STEP program and potentially identify alternatives or improvements to the program and to provide a more thorough, public examination of the STEP program. It could:

- Convene a select committee on mental health issues as it has in previous sessions
- Extend public hearing times for the STEP proposal
- Hire an advisor with expertise in mental health systems and institutions to evaluate the STEP proposal and identify improvements and alternatives
- Review and evaluate the proposal and alternatives over the next interim

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table
Addictive and Mental Disorders Division

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	$44,871,341	49.2%	$58,027,065	49.4%	$62,694,079	50.9%
01100 General Fund	44,871,341	49.2%	58,027,065	49.4%	62,694,079	50.9%
02000 Total State Special Funds	8,646,414	9.5%	11,364,282	9.7%	11,163,183	9.1%
02034 Earmarked Alcohol Funds	3,702,226	4.1%	4,592,116	3.9%	4,711,834	3.8%
02053 County Intergovernmental Trans.	1,040,539	1.1%	1,040,539	0.9%	1,040,539	0.8%
02217 Amdd/Doc Shared Position	-	-	79,484	0.1%	79,574	0.1%
02384 02 Indirect Activity Prog 33	88,702	0.1%	90,333	0.1%	90,913	0.1%
02691 6901-Msh/Doc Maint Agreement	352,063	0.4%	360,101	0.3%	-	-
02772 Tobacco Hlth & Medicd Initiative	3,435,225	3.8%	5,174,050	4.4%	5,212,664	4.2%
02987 Tobacco Interest	27,659	0.0%	27,659	0.0%	27,659	0.0%
03000 Total Federal Special Funds	37,730,663	41.3%	48,117,723	40.9%	49,212,797	40.0%
03082 Strategic Prevention Grant	-	-	2,332,000	2.0%	2,332,000	1.9%
03171 Data Infrastructure Development	29,995	0.0%	251,877	0.2%	251,877	0.2%
03505 93.150 - Mntal Hlth - Homeless	287,008	0.3%	287,008	0.2%	287,008	0.2%
03507 93.958 - Mntal Hlth - Blk Grt	1,228,490	1.3%	1,228,490	1.0%	1,228,490	1.0%
03508 93.959 - Sub. Abuse - Blk Grt 100%	7,157,681	7.8%	7,298,610	6.2%	7,321,808	5.9%
03580 6901-93.778 - Med Adm 50%	868,105	1.0%	980,892	0.8%	986,534	0.8%
03583 93.778 - Med Ben Fmap	27,688,615	30.3%	35,336,510	30.1%	36,400,287	29.6%
03601 03 Indirect Activity Prog 33	391,087	0.4%	402,336	0.3%	404,793	0.3%
03684 6901-Data Infrastructure93-230	79,682	0.1%	-	-	-	-
Grand Total	$91,248,418	100.0%	$117,509,070	100.0%	$123,070,059	100.0%

AMDD is funded by a combination of general fund, state special revenue, and federal funds. General fund supports just over half of the FY 2009 budget request, while state special revenue comprises 9.1 percent and federal funds provide 40.0 percent of the total. General fund pays:

- Mental health state institutions costs
- State Medicaid match for mental health services
- Mental health grants to support community mental health services for the Mental Health Services Plan (MHSP)

- o Community crisis services for persons who are not eligible for Medicaid
- o Chemical dependency services, for the first time, including:
  - A methamphetamine program executive proposal
  - Non Medicaid provider rate increases

The most significant state special revenue sources are health and Medicaid initiatives account tobacco tax revenues, alcohol taxes allocated to DPHHS and intergovernmental transfer revenue from counties (inaccurately named as Medicaid nursing home match in the table). Alcohol state special revenue supports the Montana Chemical Dependency Center (MCDC), state matching funds for chemical dependency Medicaid services, and program administration, as well as some services provided by other agencies. Health and Medicaid initiatives funds support Medicaid provider rate increases and the home and community based services Medicaid waiver approved by the 2005 Legislature.

Federal sources of funding include Medicaid matching funds, several federal grants, and indirect cost recovery from federal sources for shared administrative costs. Medicaid matching funds provide almost a third of the FY 2009 budget request. The federal substance abuse grant is 5.9 percent of total funds and supports grants to community providers as well as division administrative costs and a portion of MCDC costs. A new grant for strategic prevention initiatives provides support for development of community chemical dependency and prevention services. Two smaller federal grants support community mental health services.

LFD ISSUE

Alcohol State Revenue Insufficient to Fund Executive Budget Request

Figure 91 shows the alcohol tax fund balance for revenues allocated to DPHHS. Figure 91 shows base budget expenditures, FY 2007 appropriations or estimated expenditures, and the 2009 biennium executive budget request. Revenue amounts are those adopted by the Interim Committee on Revenue and Transportation for liquor taxes and DPHHS estimates are used for cost recovery amounts.

Revenues are anticipated to increase gradually growing about $1.1 million from the base budget through FY 2009. DPHHS cost recovery for MCDC increased from historic levels of about $50,000 to about $87,000 in FY 2006 with anticipated collections growing to nearly $110,000.

The executive budget allocates the majority of alcohol tax revenue to support MCDC. The next largest expenditures are two statutory appropriations:

1) A distribution to counties based on 20 percent of revenue; and
2) An allocation of 6.6 percent of revenue to support programs that provide services to persons with a chemical dependency and a mental illness.

Other uses of alcohol tax revenue not previously discussed include allocations to:

- o Department of Justice to support crime lab tests for driving under the influence
- o Montana State Hospital to support chemical dependency services
- o Quality Assurance Division in DPHHS to support licensure and certification activities
- o Department of Corrections to support chemical dependency services at Pine Hills

LFD ISSUE CONT.

The Professional and Occupational Licensing Board at Department of Labor will not be funded from alcohol taxes in the 2009 biennium and includes an adjustment to remove alcohol tax funds. Figure 91 is constructed in accordance with statute (53-24-206(3)(b), MCA), which requires that all unappropriated liquor tax revenues are to be distributed to counties. That amount is estimated to be $400,825 in FY 2007 and reduces the FY 2007 ending balance to zero. The alcohol tax fund shows a negative balance in each year of the 2009 biennium.

The executive budget request is in excess of liquor tax proceeds allocated to DPHHS. In addition, service expansions and rate increases for chemical dependency services supported by federal block grants are funded from the general fund. Historically state funds for chemical dependency have come only from alcohol tax funds.

Option

If the legislature approves the executive budget request, it could consider increasing alcohol tax revenues to fund the service expansions. The legislature could also change the allocation of tax collections to direct the entire increase to DPHHS for treatment programs.

Figure 91
Earmarked Alcohol Tax Revenue and Expenditures
FY 2006 Actuals Through FY 2009 Executive Budget Request

Revenue/Expenditures Fund Balance	Base Budget	07 Approps.	Executive Budget FY 2008	Executive Budget FY 2009	% of Total
Beginning Balance	$397,208	$238,361	$117,699	($62,923)	
Revenues					
Liquor License	$4,360,508	$4,679,000	$5,001,000	$5,338,000	73.6%
Beer Tax	899,237	903,000	916,000	929,000	12.8%
Wine Tax	742,495	781,000	824,000	866,600	11.9%
DPHHS Cost Recovery	87,246	106,889	109,940	109,645	1.5%
Other Receipts**	35,501	10,810	10,810	10,810	0.1%
Total Revenue	$6,124,987	$6,480,699	$6,861,750	$7,254,055	100.0%
Annual Percent Change	13.8%	5.8%	5.9%	5.7%	
Total Funds Available	$6,522,195	$6,719,060	$6,979,449	$7,191,132	
Disbursements					
Chemical Dependency Cntr (MCDC)	$3,014,474	$3,050,294	$3,678,702	$3,738,680	51.3%
Distribution to Counties	1,486,053	1,555,726	1,348,200	1,426,720	19.6%
Services for Dually Diagnosed	396,148	419,958	444,906	470,818	6.5%
CD Medicaid Services/Admin.	362,211	542,470	560,929	584,127	8.0%
Justice - Crime Lab DUI Tests	303,204	303,204	303,204	303,204	4.2%
CD Operations	250,023	293,289	276,828	313,355	4.3%
Cost Allocated Admin.	225,729	248,302	273,132	300,445	4.1%
Montana State Hospital	75,000	75,000	75,000	75,000	1.0%
Quality Assurance-Licensure	60,178	52,129	60,292	60,696	0.8%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.3%
Departmment of Labor - POL Board	4,707	35,466	(5,001)	(5,001)	-0.1%
CD Benefits - non Medicaid	518	0	657	672	0.0%
Total Disbursements	$6,203,768	$6,601,361	$7,042,372	$7,294,239	100.0%
Adjustments***	($80,066)	$0	$0	$0	
Ending Fund Balance	$238,361	$117,699	($62,923)	($103,107)	

*Revenue estimates are those adopted by the Revenue and Transportation Committee, except DPHHS cost recovery, which uses DPHHS estiamtes. FY 2007 costs are based on AMDD allocations an estimate of indirect costs, and legislative appropriations for other agencies and DPHHS divisions.

**Other receipts includes lab testing and phone/vending machine income. The FY 2006 amount includes one time revenue of $23,110

***Generally accepted accounting principles (GAAP) require certain entries to be made. The adjustments include those entries, with the most significant being capitalization of a lease for $28,068.

LFD ISSUE CONT.

Figure 92 shows the amount of state funding necessary if the legislature were to fund the executive budget request for chemical dependency treatment as it is presented. Figure 92 shows that if the legislature wanted to increase alcohol taxes and use the increased revenue only for DPHHS, it would need to raise all sources by 21.6 to 32.1 percent. The increase would need to be about 44.6 to 66.1 percent if the legislature also wanted to augment general fund revenues. However, these estimates do not include any estimates for consumption decreases due to tax increases or proposed pay plan changes.

Figure 92
Percent Increase in Alcohol Taxes Needed to Offset Executive Budget Request for Other Funds
(Not Accounting for Changes in Demand due to Price Change)

Item	FY 2008	FY 2009
Service Expansion	$2,000,000	$2,000,000
One Time Education/Prevention	0	1,000,000
Medicaid Provider Rate Increase *	14,023	18,961
Provider Rate Increase for Federally Funded Providers	162,338	162,338
Administration	39,854	0
Executive Budget Shortfall	62,923	103,107
Total	$2,279,138	$3,284,406
Each 1% Tax Increase		
Total Raised	$143,432	$143,432
Allocation to DPHHS	67,669	67,669
Less Statutory Appropriations	(18,000)	(18,000)
Net Income - Current Statute	$49,669	$49,669
Total Percent Increase Needed	45.9%	66.1%
Percent Increase if Total Allocated to DPHHS and Statutory Appropriations Remained	21.6%	31.2%

*This provider rate increase is funded from state special revenue health and Medicaid initiatives account funds; all others are funded from general fund.

AMDD Biennial Budget Comparison

Figure 93 shows the 2007 biennium compared to the 2009 biennium budget request for AMDD. The biennial change is $57.0 million, with a $32.5 million increase in general fund. FTE increase by 94.29, largely due to the STEP proposal. Benefits and claims grows $25.8 million due mostly in anticipated increases in mental health Medicaid benefits, but also for proposed expansions in community mental health crisis stabilization and other services. Grant expenditures increase due to executive proposals to expand methamphetamine and chemical dependency community services and develop community prevention programs.

State special revenue growth is primarily in the health and Medicaid initiatives account to fund the home and community based mental health services Medicaid waiver and Medicaid provider rate increases. Federal funding grows to support increased Medicaid costs and to a much lesser degree, receipt of a federal grant for development of community chemical dependency prevention services.

Figure 93
2007 Biennium Compared to 2009 Biennium
Addictive and Mental Disorders Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Difference	Percent of Change
FTE	572.75	667.04		94.29	
Personal Services	$54,253,176	$70,115,186	29%	$15,862,010	27.8%
Operating	20,549,749	25,804,588	11%	5,254,839	9.2%
Equipment	68,010	84,000	0%	15,990	0.0%
Capitol Outlay	0	450,000	0%	450,000	0.8%
Grants	12,069,570	21,572,869	9%	9,503,299	16.7%
Benefits/Claims	96,453,480	122,271,394	51%	25,817,914	45.3%
Debt Service	186,289	281,092	0%	94,803	0.2%
Total Costs	$183,580,274	$240,579,129	100%	$56,998,855	100.0%
General Fund	$88,201,575	$120,721,144	50%	$32,519,569	57.1%
State Special	18,410,777	22,527,465	9%	4,116,688	7.2%
Federal Funds	76,967,922	97,330,520	40%	20,362,598	35.7%
Total Funds	$183,580,274	$240,579,129	100%	$56,998,855	100.0%

Evaluation of New Initiatives

The 2005 Legislature requested reports on the outcomes of several appropriations, including two initiatives in AMDD. The following information was provided by AMDD in response to that request.

Evaluation of Psychiatric Rate Increase on Access to Services

The 2005 Legislature approved a 20 percent rate increase for psychiatric services, which was implemented July 1, 2005. AMDD requested the rate increase with the goal of increasing access to services for adults with a serious and disabling mental illness. Figure 94 shows the AMDD documentation as requested in language in HB 2. The division concluded that the rate increase did not help improve access to services.

Evaluation of 5.00 New Regional FTE for Mental Health Services

The 2005 Legislature approved 5.00 new FTE to provide a regional presence for adult mental health services, similar to FTE in other DPHHS service systems. The legislature funded the executive request and added language to HB 2 specifying that 2.00 of the FTE funded in FY 2007 and an additional 1.00 FTE funded in FY 2008 must be used to help develop crisis services in the community, a significant priority identified by AMDD in its listening tour in the fall of 2004. The following information was provided by AMDD to evaluate the performance of the 5.00 new FTE.

Figure 94
Access Changes due to Psychiatric Rate Increase

Fiscal Year	Number Served*	Percent Change	Payments	Percent Change
2004	3,980		$1,267,617	
2005	3,961	-0.5%	1,260,060	-0.6%
2006	3,973	0.3%	1,449,049	15.0%

*Number served is an unduplicated count.
Source: Addictive and Mental Disorders Division, electronic message, October 9, 2006.

1. Define the baseline for community plans as the staffs meet with community leaders. Where is each community in the development and implementation of their respective plan?
2. Evaluate the plan for feasibility and function by discussion the Local Advisory Council (LAC) or Service Area Authority (SAA).
3. If necessary, amend the plan according to the community recommendations.
4. Develop positive working relationships with community mental health stakeholders. This could be evaluated through stakeholder feedback.
5. Count the number of contacts made during the year and map locations visited.
6. Determine if there is an increase in the number of LAC meetings or if the composition of the LAC membership includes more community leaders.
7. Hours of technical assistance and training provided to stakeholders, including LAC and SAA.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,096,078					2,401,789
Vacancy Savings					(1,207,007)					(1,219,252)
Inflation/Deflation					208,133					229,068
Fixed Costs					(113,445)					(91,106)
Total Statewide Present Law Adjustments					**$983,759**					**$1,320,499**
DP 33101 - AMDD Operations Present Law Adjustments	0.00	23,708	4,631	19,661	48,000	0.00	26,671	5,211	22,118	54,000
DP 33201 - Medicaid FMAP - Chemical Dependency	0.00	0	24,944	(24,944)	0	0.00	0	26,178	(26,178)	0
DP 33202 - CD Medicaid Caseload Adjustment	0.00	0	173,774	379,823	553,597	0.00	0	195,738	425,848	621,586
DP 33301 - MCDC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	0	117,959	0	117,959	0.00	0	120,750	0	120,750
DP 33302 - MCDC Present Law Adjustments	0.00	0	81,707	0	81,707	0.00	0	126,670	0	126,670
DP 33401 - Medicaid FMAP - Mental Health	0.00	670,404	0	(670,404)	0	0.00	703,781	0	(703,781)	0
DP 33402 - Medicaid Caseload Adjustment - Mental Health	0.00	1,777,713	87,812	4,183,229	6,048,754	0.00	2,213,180	87,812	5,167,039	7,468,031

Present Law Adjustments

	Fiscal 2008 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2009 FTE	General Fund	State Special	Federal Special	Total Funds
DP 33414 - Annualize HCBS Waiver	0.00	0	1,323,324	2,892,426	4,215,750	0.00	0	1,327,540	2,888,210	4,215,750
DP 33501 - MSH OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	1,684,211	8,038	0	1,692,249	0.00	1,720,533	0	0	1,720,533
DP 33502 - MSH Present Law Adjustments	0.00	496,987	0	0	496,987	0.00	783,347	0	0	783,347
DP 33503 - MSH 36.6 Modified FTE	36.60	1,668,572	0	0	1,668,572	36.60	1,683,031	0	0	1,683,031
DP 33601 - MMHNCC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	495,861	0	0	495,861	0.00	507,504	0	0	507,504
DP 33602 - MMHNCC Present Law Adjustments	0.00	187,146	0	0	187,146	0.00	272,537	0	0	272,537
Total Other Present Law Adjustments	**36.60**	**$7,004,602**	**$1,822,189**	**$6,779,791**	**$15,606,582**	**36.60**	**$7,910,584**	**$1,889,899**	**$7,773,256**	**$17,573,739**
Grand Total All Present Law Adjustments					**$16,590,341**					**$18,894,238**

LFD COMMENT

Present law adjustments add $35.4 million over the biennium, with $14.9 million general fund. The most significant adjustments fund increased Medicaid costs, including annualization of the home and community based waiver funded by the 2005 Legislature. However, the most significant general fund increases support personal services costs at the MSH, which add $8.0 million over the biennium. One of the present law adjustments – funding 36.60 FTE - is listed as a present law adjustment instead of a new proposal as are all other DPHHS requests to make the funding for modified FTE permanent. Each of the present law adjustments is discussed in the subprogram narratives.

The personal services present law adjustment is less than 10.0 percent of total personal services in FY 2006 - $28.1 million. However, because overtime costs are included in base budget expenditures shown in the budget tables, but not in the adjusted base budget, which is usually augmented for present law adjustments, the statewide present law adjustment for personal services is understated by about $3.2 million. This understatement is related only to budgets with overtime costs, and is material only in budgets with significant amounts of overtime – usually state institutions or other functions that require round the clock, seven days a week staffing.

Figure 95
Addictive and Mental Disorders Division
Present Law Personal Services Adjustment

Increase/Decrease	FY 2008	FY 2009
Benefits Changes/Pay Plan	$1,309,401	$1,562,076
Upgrades/Reclassification	1,090,923	1,090,923
Health Insurance	666,390	666,390
Vacancies	581,495	581,495
Longevity Increase	31,292	84,328
Subtotal Increases	$3,679,501	$3,985,212
Remove Base Overtime	($1,455,317)	($1,455,317)
Remove Termination Pay	(128,106)	(128,106)
Subtotal Decreases	($1,583,423)	($1,583,423)
Net Change	$2,096,078	$2,401,789

Figure 95 shows the components of actual expenditures compared to the adjusted base budget and the present law adjustment for AMDD personal services, including the masking effect of overtime costs.

The biggest increase is in benefits costs, most likely increases in workers' compensation costs - $2.9 million. Upgrades and reclassifications, driven in part by the difficulty in recruitment and retention of medical workers, adds about $2.2 million. Health insurance changes add $1.3 million and fully funding positions adds about $1.1 million. Longevity increases add about $0.1 million.

This issue is discussed only as a point of information. There are no options regarding the adjustment.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33104 - Behavioral Health Program Facilitator										
33	1.00	0	79,484	0	79,484	1.00	0	79,574	0	79,574
DP 33203 - Meth & CD Regional Services Expansion										
33	1.00	2,000,000	0	0	2,000,000	1.00	2,000,000	0	0	2,000,000
DP 33204 - Methamphetamine Prevention - OTO										
33	0.00	0	0	0	0	0.00	1,000,000	0	0	1,000,000
DP 33206 - Strategic Prevention Framework Incentive Grant										
33	2.00	0	0	2,332,000	2,332,000	2.00	0	0	2,332,000	2,332,000
DP 33304 - MCDC Staff (Modified and Other)										
33	6.00	0	340,906	0	340,906	6.00	0	344,518	0	344,518
DP 33407 - Fund 72 hr Community Crisis Support										
33	0.00	1,861,245	0	171,525	2,032,770	0.00	1,860,334	0	172,436	2,032,770
DP 33410 - Mental Health Community Services Development										
33	5.00	585,226	0	0	585,226	5.00	535,165	0	0	535,165
DP 33413 - Federal Data Infrastructure Grant										
33	1.00	0	0	142,200	142,200	1.00	0	0	142,200	142,200
DP 33506 - Secure Treatment & Examination Program (STEP) (Requires Legislation)										
33	0.00	832,316	0	0	832,316	41.69	3,380,803	(352,063)	0	3,028,740
DP 33701 - Provider Rate Increases										
33	0.00	281,480	327,689	716,240	1,325,409	0.00	282,251	362,087	788,098	1,432,436
Total	16.00	$5,560,267	$748,079	$3,361,965	$9,670,311	57.69	$9,058,553	$434,116	$3,434,734	$12,927,403

New proposals add $22.6 million total funds, including $14.6 million general fund. There are several significant policy decisions embodied in the budget proposal for this program:

- Renovation of a state building to house a 120 bed secure care program (STEP) on the Warm Springs campus for forensic patients in the care of AMDD and prisoners with a serious and disabling mental illness in the care of DOC
- Expansion of methamphetamine and chemical dependency services expansion to serve an estimated 148 persons annually
- Implementation of a grant program to fund 72 hour crisis care in the community
- Addition of 36.60 FTE, which is reflected in the present law adjustments rather than a new proposal because a number of these FTE may be used to staff the STEP program and because other modified institution FTE in this division budget request are listed as a new proposal even though the FTE are related to institution population

Each new proposal will be discussed in the sub program narrative.

Sub-Program Details

MENTAL HEALTH 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	504.50	36.60	6.00	547.10	36.60	47.69	588.79	588.79
Personal Services	24,672,127	4,456,612	333,256	29,461,995	4,774,565	2,622,828	32,069,520	61,531,515
Operating Expenses	8,485,787	780,873	696,486	9,963,146	1,188,409	967,277	10,641,473	20,604,619
Equipment	27,000	0	30,000	57,000	0	0	27,000	84,000
Capital Outlay	0	0	450,000	450,000	0	0	0	450,000
Grants	5,241,850	0	2,151,912	7,393,762	0	2,152,683	7,394,533	14,788,295
Benefits & Claims	39,949,848	10,264,504	1,049,255	51,263,607	11,683,781	1,139,971	52,773,600	104,037,207
Debt Service	74,212	0	0	74,212	0	66,000	140,212	214,424
Total Costs	**$78,450,824**	**$15,501,989**	**$4,710,909**	**$98,663,722**	**$17,646,755**	**$6,948,759**	**$103,046,338**	**$201,710,060**
General Fund	44,369,309	7,579,749	3,397,929	55,346,987	8,781,478	5,896,215	59,047,002	114,393,989
State/Other Special	4,930,486	1,419,174	313,666	6,663,326	1,415,352	(8,937)	6,336,901	13,000,227
Federal Special	29,151,029	6,503,066	999,314	36,653,409	7,449,925	1,061,481	37,662,435	74,315,844
Total Funds	**$78,450,824**	**$15,501,989**	**$4,710,909**	**$98,663,722**	**$17,646,755**	**$6,948,759**	**$103,046,338**	**$201,710,060**

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,652,916					1,927,480
Vacancy Savings					(1,052,986)					(1,063,983)
Inflation/Deflation					202,102					222,069
Fixed Costs					(105,362)					(89,544)
Total Statewide Present Law Adjustments					**$696,670**					**$996,022**
DP 33401 - Medicaid FMAP - Mental Health	0.00	670,404	0	(670,404)	0	0.00	703,781	0	(703,781)	0
DP 33402 - Medicaid Caseload Adjustment - Mental Health	0.00	1,777,713	87,812	4,183,229	6,048,754	0.00	2,213,180	87,812	5,167,039	7,468,031
DP 33414 - Annualize HCBS Waiver	0.00	0	1,323,324	2,892,426	4,215,750	0.00	0	1,327,540	2,888,210	4,215,750
DP 33501 - MSH OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	1,684,211	8,038	0	1,692,249	0.00	1,720,533	0	0	1,720,533
DP 33502 - MSH Present Law Adjustments	0.00	496,987	0	0	496,987	0.00	783,347	0	0	783,347
DP 33503 - MSH 36.6 Modified FTE	36.60	1,668,572	0	0	1,668,572	36.60	1,683,031	0	0	1,683,031
DP 33601 - MMHNCC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	495,861	0	0	495,861	0.00	507,504	0	0	507,504
DP 33602 - MMHNCC Present Law Adjustments	0.00	187,146	0	0	187,146	0.00	272,537	0	0	272,537
Total Other Present Law Adjustments	**36.60**	**$6,980,894**	**$1,419,174**	**$6,405,251**	**$14,805,319**	**36.60**	**$7,883,913**	**$1,415,352**	**$7,351,468**	**$16,650,733**
Grand Total All Present Law Adjustments					**$15,501,989**					**$17,646,755**

DP 33401 - Medicaid FMAP - Mental Health - This proposal adds $1,374,185 general fund over the biennium and reduces federal funds by a like amount. This funding switch accounts for the reduction in the federal match rate and is the amount necessary to fund base Medicaid expenditures over the 2009 biennium. Funding changes for caseload growth are included in the following request.

DP 33402 - Medicaid Caseload Adjustment - Mental Health - This proposal requests $13.5 million total funds over the biennium, which includes $4.0 million general fund and $0.2 million state special revenue from the health and Medicaid initiatives account.

This proposal includes:

- o Regular Medicaid cost growth based on a 3.5 percent annual change from estimated FY 2007 costs
- o Medicaid Program for Assertive Community Treatment (PACT) and Intensive Community-Based Rehabilitation (ICBR) services, which were underutilized in the 2007 biennium
- o Inpatient hospitalization increase
- o Non-secure crisis stabilization bed funding

LFD COMMENT

Figure 96 shows each component of the Medicaid caseload adjustment starting with base budget expenditures. Budget requests for increased services comprise 16.7 percent of the FY 2009 total. Taking into consideration the utilization adjustments for higher cost community services, total Medicaid costs rise at a 6.4 percent annual increase compared to base budget expenditures.

Figure 96
Mental Health Medicaid Caseload Components - DP 33402 - and Calculation of Provider Rate Increase

	Fiscal Year 2008				Fiscal Year 2009				Percent
Item	General Fd.	SSR	Federal	Total	General Fd.	SSR	Federal	Total	of Total
Base Year Costs	$8,455,857	$1,350,818	$26,817,454	$36,624,129	$8,455,857	$1,350,818	$26,817,454	$36,624,129	83.1%
Eligibility/Service Growth	658,418	87,812	1,631,056	2,377,286	1,076,998	87,812	2,463,881	3,628,690	8.2%
Unsecure Crisis Stabilization Beds	349,449	0	763,801	1,113,250	350,562	0	762,688	1,113,250	2.5%
Inpatient Hospitalization Utilization Increase ($1,397/Day)	315,609	0	681,891	997,500	329,936	0	717,814	1,047,750	2.4%
PACT	286,319	0	625,817	912,136	287,232	0	624,904	912,136	2.1%
ICBR	167,917	0	367,020	534,937	168,452	0	366,485	534,937	1.2%
Federal Reimbursement	0	0	113,645	113,645	0	0	231,268	231,268	0.5%
Subtotal Increase	$1,777,712	$87,812	$4,183,230	$6,048,754	$2,213,180	$87,812	$5,167,039	$7,468,031	16.9%
Total Cost of Medicaid - Mental Hlth	$10,233,569	$1,438,630	$31,000,684	$42,672,883	$10,669,037	$1,438,630	$31,984,493	$44,092,160	100.0%
Annual Rate of Growth from Base	10.0%	n/a	7.5%	7.9%	8.1%	n/a	6.0%	6.4%	
HCBS Waiver	$0	$1,323,324	$2,892,426	$4,215,750	$0	$1,327,540	$2,888,210	$4,215,750	
Federal Match Rate Change	670,404	0	(670,404)	0	703,781	0	(703,781)	0	
Total Subject to Rate Increase*	$10,903,973	$2,761,954	$33,109,061	$46,774,988	$11,372,818	$2,766,170	$33,937,655	$48,076,642	
Total Cost of a 2.5% Rate Increase	$0	$367,067	$802,308	$1,169,375	$0	$378,483	$823,433	$1,201,916	
Executive Request	0	313,666	685,589	999,255	0	343,232	746,739	1,089,971	
LFD Over (Under) Executive	$0	$53,401	$116,719	$1,169,375	$0	$35,251	$76,694	$111,945	

The most significant component - increase in eligible persons and growth in service utilization - is just under half of the FY 2009 total. Anticipated utilization increases in specific services add almost as much as the growth in all other Medicaid services. The executive budget uses the incorrect state match rate for caseload components. The oversight can be corrected when the legislature considers the appropriation for mental health services.

The legislature authorized expansions for PACT and ICBR. One of the goals was to provide enhanced community services and help reduce or preclude placement in state mental health institutions. A specific goal of the ICBR when it was originally funded by the 2003 Legislature was to provide a richer community service to support between 20 to 25 persons who had several unsuccessful community placements and most of whom were residing at MMHNCC.

LFD ISSUE

PACT and ICBR Underutilized

ICBR services were under utilized because AMDD cannot guarantee placement in services. ICBR services are typically established around a group home concept. Mental health clients have a choice as to where they locate and if they become stable enough to move to a lower level of service, they can do so. This combination of choice and improvement has resulted in discontinuation of some ICBR service slots.

ICBR reimbursement is $225 per day compared to regular group home services that run about $90 per day. Despite its higher cost, if a person can successfully transition to community living from full time institutional care, there are cost savings irrespective of other advantages or disadvantages.

PACT services were anticipated to expand from 140 service slots in FY 2004 to 335 by FY 2006, with a slight increase to 350 by FY 2007. Figure 97 shows the actual service capacity in September 2006 compared to the FY 2007 level anticipated during the 2005 Legislature when the appropriation was made.

The number of slots in the first three months of FY 2007 was 292, or 58 slots (16.6 percent) lower than the appropriation would support. The Medicaid request also anticipates utilization increases in hospital and community crisis stabilization services. LFD staff is evaluating when the non secure community crisis services were developed and how many days of care were funded in the base budget. This information will be available for legislative consideration.

Figure 97
PACT Service Slots Developed Compared to 2005 Legislative Expectations

Location	Budgeted Slots	Sept 06 Slots	Difference
Helena	70	70	0
Billings	70	66	4
Kalispell	70	56	14
Great Falls	70	54	16
Missoula	70	46	24
Total	350	292	58
% Different			16.6%

Option
The legislature may wish to ask AMDD to identify the obstacles that prevented full utilization of ICBR and PACT and how those obstacles could be over come. It may wish consider whether to fund an expansion in the ICBR and PACT program since the services were under utilized in FY 2006 with the pattern continuing in early FY 2007. If the legislature does fund an expansion, it may wish to restrict the appropriation and request that AMDD report on service capacity in the interim.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Adult mental health Medicaid services are an entitlement to Montanans who meet program eligibility criteria, including income, age and illness standards. An individual must be at least 18 years old and be diagnosed with a severe and disabling mental illness. This proposal to increase the services appropriation is based on an analysis of past growth trends in this program and certain additions.

Goal: Continue to provide high quality services to approximately 14,000 Medicaid eligible Montanans who require the level of services provided by this program. To the extent possible, the department would control the growth of these Medicaid entitlements so they don't consume unnecessary resources by aggressively managing the program and investing in program areas that promote cost avoidance.

Performance Criteria: Eligible individuals would continue to receive appropriate care as authorized by the program's rules. Staff would monitor program budgets monthly to insure that the program is operating within funding levels as appropriated and utilization is consistent with expected program growth rates.

Milestones: The program would monitor budget activity monthly and annually to operate program expenditures within appropriated funding levels over the course of the biennium.

FTE: No additional FTE would be required for this increase in caseload for these services.

Funding: The funding for this proposal is at the Medicaid services matching rate of approximately 31 percent state funds to approximately 69 percent federal. There is not a reasonable alternative for the state matching funds.

Obstacles: Shortages of providers willing to provide these services are always an issue.

Risk: If increases in funding are not approved it is expected that expenditures would exceed the budgeted authority as this program continues to grow as demand increases for more services and as more eligible individuals access these services. If resources are not available to meet the increased demand, modifications or reductions to the services package that can be offered would result. Cutting services is not a recommended option, since services have been limited to those which are required and necessary to provide the current level.

LFD COMMENT

DPHHS used the same expenditure evaluation information for all Medicaid benefits. The language is general, with budget monitoring being the most significant performance criteria and activity listed. It is difficult to tell what other outcomes the legislature could expect based on the DPHHS write up.

Some issues related to Medicaid mental health services have already been discussed, including admission to MSH, underutilization of community services for persons with more intense service needs, lack of access to psychiatric care, and lack of community crisis services in local hospitals and other venues. The legislature may wish to ask DPHHS to identify meaningful outcome measures if these are not helpful or to provide measures as part of the appropriation for mental health benefits.

DP 33414 - Annualize HCBS Waiver - This proposal includes $8,431,500 total funds over the biennium including $2,650,864 in health and Medicaid initiatives state special revenue funds to annualize the home and community-based Medicaid waiver for adults with a severe and disabling mental illness that was approved by the 2005 Legislature. The AMDD waiver is similar to waivers already administered for elderly, physically disabled, and developmentally disabled adults. This funding would serve about 105 persons in FY 2008 and FY 2009 at a daily rate of $110/day. Depending on the required service intensity, additional eligible persons could be served. The waiver was anticipated to start in January 2007, but DPHHS received federal approval in late November, which could delay start up in FY 2007.

LFD COMMENT

This proposal anticipates three waiver teams each serving about 35 individuals in the first year of the waiver. Although the executive budget proposal indicated that there would be 105 persons served in the waiver, the application submitted for federal approval requested authority to serve 125 persons the second and third years of the waiver.

The waiver teams would be located in Billings, Missoula, and Great Falls, with the Billings site opening first. The AMDD waiver anticipates using the same contractors as the physically disabled and elderly waivers to manage services with one change. The AMDD waiver teams would include a social worker with a background in mental health services.

LFD ISSUE

AMDD Waiver Could Accept Persons Receiving Services from Senior and Long Term Care Division

The department received federal approval of the waiver November 27, 2006. Persons served in the waiver must meet nursing home level of care standards. DPHHS personnel anticipate that a number of persons served in the AMDD waiver would transfer from nursing home and waiver services administered by Senior and Long Term Care Division (SLTC).

The legislature may wish to request that DPHHS address how it would manage the populations that are eligible for services in two divisions. Since the waiver is a capped service, the legislature may wish to know whether persons who do not have a service placement would be given priority over those already receiving services. The legislature may also wish to know whether funding would "follow" a person transferred from SLTC services to the AMDD waiver. If the funding doesn't follow the person, then AMDD waiver funds would need to support the cost of waiver services for persons transferring from SLTC. Depending on how the funding is managed internal to DPHHS, there could be a lower overall net gain in placements for persons who cannot currently access services.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Medicaid eligible individuals with severe and disabling mental illness (who meet nursing facility level of care and reside in one of the three geographic areas in the state where the HCBS waiver program is authorized) have the opportunity to choose to receive their care in the HCBS waiver program or a nursing facility. This proposal provides the funding for HCBS waiver services.

Goal: Provide a choice of receiving long term care services in a community setting as an alternative to receiving long term care services in a nursing facility. The objective of the HCBS waiver program is rehabilitation and recovery, while encouraging the consumer to accept personal responsibility for services and desired outcomes.

Performance Criteria: There would be a quality management process to collect and review data gathered from providers and the consumers enrolled in the waiver to ensure that quality assurances are met. Recovery markers have been established as performance/outcome indicators and include the domains of employment, level of symptom interferences, housing, and substance abuse (stages of change and level of use). Each domain contains items that would be scored and submitted quarterly through a secure web based application by case managers. All reports would contain only summarized data to ensure consumer confidentiality.

Milestones: Major milestones would include:

- Enroll Medicaid eligible individuals with severe disabling mental illness into the
- HCBS waiver program beginning in January, 2007
- Complete surveys of those individuals enrolled in the first year of the waiver to
- monitor and gauge success by December 2007
- Begin the evaluation process to determine if there are other geographic areas in the
- state where the HCBS waiver program may be implemented

FTE: No FTE are requested with this decision package.

Funding: Tobacco tax from the health and Medicaid initiatives account and federal Medicaid matching funds

Obstacles: The following obstacles may be encountered:

- There may be more individuals with severe disabling mental illness (who meet
- nursing facility level of care and reside in one of the three geographical locations where
- the waiver is authorized) who want to choose waiver services, but the program may be at
- capacity
- The HCBS waiver for adults with severe disabling mental illness in not available
- statewide

Risk: This proposal offers an alternative to nursing facility placement and focuses on rehabilitation and recovery for individuals enrolled in the waiver program. Without the HCBS waiver, individuals with severe disabling mental illness who meet nursing facility level of care would enter or remain in nursing facilities.

LFD COMMENT The goals, outcomes, and performance criteria are related to the federal waiver requirements. The legislature may wish to request that AMDD develop measures that would be more meaningful to a person with less understanding of the medical and recovery nuances listed. LFD staff noted that some persons may be admitted to the AMDD waiver who are already receiving services from the Senior and Long Term Care Division. The legislature may wish to know how many persons transfer between service systems and the overall increase in the number of persons receiving waiver services who come from within the mental health service system.

DP 33501 - MSH OT/Diff/Holiday Pay & Aggregate FTE Funding - This request adds $3.4 million general fund and a small amount of state special revenue for personal services costs, including holidays worked, overtime, differential and physician on-call. These costs are removed from the base budget and must be reauthorized by the legislature each biennium. These costs are paid to maintain staffing requirements at a facility that operates 24 hours a day, 7 days a week.

LFD COMMENT

These amounts were calculated assuming the proposal for 36.60 FTE would be approved. If these additional FTE are not approved, AMDD believes that overtime costs and funding for aggregate position would need to be increased.

DP 33502 - MSH Present Law Adjustments - The present law adjustment adds $1.3 million general fund over the biennium for pharmacy, outside medical, food contract with Montana State Prison, and replacement equipment.

Pharmacy costs for administration, dispensing fees, and drugs add $361,330 in FY 2008 and $569,525 in FY 2009, based on a 10.0 percent growth rate from the base budget amount of $1,720,618.

MSH pays for all medical costs for residents who do not have Medicare, Medicaid, or personal funds to pay the expenses. Expenses include services outside the facility such as lab, hospital, x-rays, dental, and optometry. FY 2006 expenditures were $422,137. The 2009 biennium requests an additional $88,649 in FY 2008 and $139,727 in FY 2009, based on 10.0 percent inflation for FY 2007, FY 2008, and FY 2009.

The food services contract was $223,845 in FY 2006. Inflation of 10.0 percent per year for FY 2007, FY 2008 and FY 2009 results in a request of $47,008 in FY 2008 and $74,094 in FY 2009.

LFD ISSUE

State Hospital Populations are Unchanged Despite Budget Initiative

The legislature may wish to evaluate this request based on changes in hospital population projections if the STEP program and community services designed to limit inappropriate placements at the state hospital are approved. LFD staff has requested information about the changes anticipated to the FY 2009 MSH budget if the STEP program is approved and persons are moved from MSH to STEP.

DP 33503 - MSH 36.6 Modified FTE - This request adds $3.4 million general fund to continue 36.60 FTE added during state FY 2006 to address MSH populations in excess of licensed capacity. From FY 2004 to FY 2005 admissions increased by 9 percent. While discharges from the hospital also increased over that time period, the population remained above licensed capacity. Federal hospital regulations and oversight increased staff workload. The additional staff would be used to enhance oversight, meet federal hospital regulations and increase treatment and therapeutic activities for the patients.

LFD ISSUE

Some of 36.60 New FTE May Support STEP

MSH would transfer 59.00 FTE to the STEP program October 2008. While these FTE are justified as necessary for state hospital operation, a number of the 36.60 FTE and existing staff are necessary to implement the new proposal. The legislature may wish to include the 36.60 new FTE as a new proposal instead of a present law adjustment and ask how many of the 36.60 FTE will be moved to the STEP program.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal increases staffing levels at MSH to meet patient needs and comply with state and federal regulatory requirements. MSH must meet stringent healthcare regulations for licensure and certification that require sufficient numbers of qualified staff to provide a comprehensive program of active treatment and to carry out other required hospital functions. 36.60 modified FTE were authorized in October 2005 to provide services to a heightened patient population. This action has allowed the hospital to take steps to alleviate overcrowding and reorganize treatment programs to better meet patient needs. The modified FTE are needed to adequately meet the needs of serving 190 patients. Sufficient staff results in improved treatment outcomes and shorter lengths of stay.

Goals:

- To provide necessary staffing to effectively and efficiently administer an inpatient psychiatric hospital that serves people from communities across Montana as part of a continuum of comprehensive public mental health services.
- To comply with healthcare facility and program standards necessary to meet licensure and certification requirements.
- To maintain public safety by ensuring the provision of proper care, treatment, and custody of the population served which includes people on forensic commitments (30 percent) resulting from criminal prosecutions.

Performance Criteria:

- Continued compliance with standards for licensure and certification.
- Reductions in mean and median length of stay.
- Decrease in the use of seclusion and restraint
- Increase in active treatment opportunities
- Reduction in the use of staff overtime

Milestones: The Governor's budget office authorized the additional 36.6 FTE in October 2005 on an interim basis. Positions included professional positions such as a psychiatrist, a psychologist, and other hard to recruit positions. This decision package would provide for continuation of these staff on a permanent basis to serve the needs of roughly 190 patients at the hospital.

FTE:
The makeup of the 36.60 FTE is as follows:

- 1.00 Psychiatrist
- 5.00 Licensed nurses (RN and LPN)
- 1.00 Social worker or case worker
- 1.00 Psychologist or licensed prevention counselor
- 1.00 Rehabilitation therapist
- 1.00 Rehabilitation therapist aide
- 19.0 Psychiatric technicians
- 1.00 Unit clerk
- 1.00 Food service worker
- 1.00 Health information clerk
- 1.00 Maintenance worker
- 1.00 Security/safety officer
- 1.00 Peer support specialist
- 1.60 Housekeepers

Most positions are responsible for the direct treatment of patients. Other positions provide patient or facility support through food preparation, security, or maintenance.

Funding: General fund is requested. No other alternative revenue sources provide the stability of funding to maintain continuity of care for patients. Any insurance, Medicare, Medicaid, or private proceeds collected from patients admitted to the hospital are pledged to pay the debt service for the hospital. Any excess proceeds are returned to the general fund since the hospital is funded with general fund monies.

If the hospital census declines to a point at which staffing levels can be reduced, every effort would be made to do this through attrition. Over 25 percent of the facility's workforce is retirement eligible. Any savings achieved would be used to meet other needs within the public mental health system with the priority being community services.

Obstacles: Recruitment and retention of qualified healthcare professionals is a challenge, but the hospital has been very successful in attracting an excellent team of professionals. Most, if not all positions are currently filled. It is imperative that the hospital be able to offer competitive pay and benefits to recruit quality staff.

Risk: The risk of not funding this proposal is that without sufficient numbers of qualified staff, the hospital would not meet licensure or certification requirements or carry out other functions mandated by statute. Loss of licensure would greatly increase risk and liability and would result in the loss of Medicare, Medicaid, and other sources of reimbursement that are deposited in the state general fund or dedicated to debt service. A failure to provide sufficient numbers of staff also places patients, staff, and the public at risk of harm due to the behaviors that include self-harm and harm to others.

LFD COMMENT The performance criteria lack specific, measurable outcomes.

DP 33601 - MMHNCC OT/Diff/Holiday Pay & Aggregate FTE Funding - This request adds $1,003,365 to pay the following personal services costs: holidays worked, overtime, differential, and physician on-call. These personal services costs are removed from the base budget and must be reauthorized by the legislature each biennium. These payments maintain minimum staffing requirements at an institution that operates 24 hour a day, 7 days a week.

DP 33602 - MMHNCC Present Law Adjustments - This request adds $459,683 general fund for anticipated cost increases in pharmacy, outside medical, replacement equipment, and nursing facility bed tax, which are essential costs related to operating the facility. All cost increases were estimated at 10 percent per year from base budget expenditures.

Pharmacy costs rise $141,110 in FY 2008 and $222,417 in FY 2009 compared to base budget expenditures of $671,954.

MMHNCC pays for all medical costs for residents who do not have Medicare, Medicaid, or personal funds to pay the expenses. Expenses include services outside the facility such as lab, hospital, x-rays, dental, and optometry. FY 2006 expenditures were $33,763 and this proposal would add $7,090 in FY 2008 and $11,176 in FY 2009.

MMHNCC is a licensed nursing facility and pays the nursing home bed tax. In FY 2006 the tax rate was $7.05 per day. The FY 2006 bed days were estimated to be 29,565 for an average daily population of 81 for the year. In FY 2007 the tax rate increases to $8.30 per day, which would add another $38,945 compared to base budget costs of $245,390.

New Proposals

New Proposals										
	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33407 - Fund 72 hr Community Crisis Support										
01	0.00	1,861,245	0	171,525	2,032,770	0.00	1,860,334	0	172,436	2,032,770
DP 33410 - Mental Health Community Services Development										
01	5.00	585,226	0	0	585,226	5.00	535,165	0	0	535,165
DP 33413 - Federal Data Infrastructure Grant										
01	1.00	0	0	142,200	142,200	1.00	0	0	142,200	142,200
DP 33506 - Secure Treatment & Examination Program (STEP) (Requires Legislation)										
01	0.00	832,316	0	0	832,316	41.69	3,380,803	(352,063)	0	3,028,740
DP 33701 - Provider Rate Increases										
01	0.00	119,142	313,666	685,589	1,118,397	0.00	119,913	343,126	746,845	1,209,884
Total	**6.00**	**$3,397,929**	**$313,666**	**$999,314**	**$4,710,909**	**47.69**	**$5,896,215**	**($8,937)**	**$1,061,481**	**$6,948,759**

DP 33407 - Fund 72 hr Community Crisis Support - AMDD is requesting $3.7 million general fund and $0.3 million federal funds for the biennium to provide up to 72 hours of crisis stabilization care for adults with severe disabling mental illness, who are uninsured. Care could be provided in a community and/or hospital setting based upon the individual's needs. Determination of appropriate crisis stabilization care would be made by a licensed mental health professional.

This proposal includes funding to develop and implement a contractual tele-medicine network to provide psychiatric consultation services across the state in areas where psychiatrists are not available. Services may be delivered through a contracted psychiatric assistance hotline and may include specific emergency department training.

LFD COMMENT The lack of community crisis services has been identified as a significant problem in the state mental health system in two listening tours conducted by AMDD staff in visits across Montana. Last session the legislature funded the executive request for 5.00 new FTE and conditioned the appropriation with specific direction that some of the new positions were to specifically work on development of community crisis services. The AMDD evaluation of these FTE is discussed in the division overview.

Access to psychiatric services has been a challenge in the mental health system for a number of years, not only for hospitals but also for community providers. Access to psychiatric support would be critical to the success of this proposal, particularly if grant funds are available to smaller, more rural hospitals.

Telemedicine has helped other states address health care shortages and is being used in parts of eastern Montana. AMDD is still considering several ways to implement this proposal, such as:

- Hiring an out of state contractor for psychiatric access
- Hiring additional psychiatrists at MSH to staff a call-in center
- Allocating grants to certain areas of the state to pay for crisis stabilization
- Determining when or how a secure care service would be provided in the community and if so, would statute need to be amended

The division is considering several alternatives in managing this proposal. Tentative budget allocations would set aside $1.0 million per year for provision of telemedicine services, including the cost of psychiatric consultation, video conferencing, training for hospital staff about treating and care for persons with a mental health crisis, and, potentially, video teleconferencing equipment. Provision of psychiatric services could be provided through a contract with a national firm or local providers or through addition of psychiatrists to MSH to provide consultations.

LFD COMMENT CONT.

The balance of the funds would be used for crisis services, with an estimated cost of $700 per 72 hour visit, with the first 24 hours reimbursed at a higher rate than the last 24 hours. AMDD staff developed reimbursement in consultation with providers, who indicated they would provide services under the arrangement.

Some crisis stabilization episodes may not require the full 72 hour span. However, if all crisis stays are 72 hours and cost the full $700, funding would be sufficient to pay for 1,462 visits per year or 4 persons per day in crisis services using the balance of the request ($1,023,770 annually).

AMDD staff has not decided whether to operate this proposal as a pilot program in areas with the most admissions to MSH or to offer the funding statewide. AMDD does have concerns that it could use the full amount prior to the end of the year, leaving providers and consumers in a difficult situation.

Option

The legislature may wish to ask AMDD what steps it will take to ensure that the services are developed and if it has more definitive plans on how the service would be administered. LFD staff has asked whether a statutory change would be necessary to require people to stay in a community hospital for the full 72 hours.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Individuals in a psychiatric crisis are often transferred to MSH when community facilities lack the skills and expertise to provide stabilization services. A review of admission data from MSH indicates that approximately 40 percent of the individuals admitted under an emergency or court-ordered detention do not require high-end care after a brief stabilization period. This proposal provides funding for brief stabilization services to be provided in the community with clinical support provided by contractor(s).

Goal: The goal of this proposal is to provide short-term stabilization close to the individual's home, family, and community supports. This service is intended as an alternative to transportation and stabilization at the MSH.

Performance Criteria: Effectiveness would be measured by a comparison of historical practices (admissions) with actual admissions during FY 2008 and FY 2009.

Milestones: Major milestones would be:

- Establish baseline data by county for admissions to MSH for previous 24 month period – August 2007
- Develop and award RFP for contracted psychiatric consultation by October 2007
- Allocate available funding for 72-hour presumptive eligibility for uninsured. Allocation would be by Service Area Authority regions to ensure that limited funding is distributed equitably across the state – October 2007

FTE: No FTE are requested.

Funding: Since the target population to be served would include mostly uninsured individuals, alternative funding sources to general fund do not exist. Medicaid would be used where possible.

Obstacles: The following obstacles may be encountered:

- Funding expended prior to the end of the fiscal year due to demand
- Difficulty in contracting for psychiatric consultation services due to availability of contractor, cost of consultation, or unanticipated requirements

Risk: This proposal offers an alternative response to individuals in crisis. Without the ability to provide community crisis stabilization, communities across the state would continue to divert individuals to more expensive services, either to facilities with psychiatric units or to MSH.

DP 33410 - Mental Health Community Services Development - AMDD is requesting $1.1 million general fund for the biennium for community services development to improve opportunities for adults with serious mental illness to live and work in the community. The request includes the following components:

- Mental health community liaison officers
- Limited funding support short term payment for services for patients discharged from MSH
- Development of a peer support implementation plan
- Contracting for a workforce development and retention study

LFD COMMENT

Figure 98 shows each component and the budget request for each component of DP 33410.

The majority of the funds, including the funds to purchase short term services, are targeted to persons being discharged from MSH. The single largest portion would support liaison officers to ensure persons being discharged from MSH get referred to services and to provide assistance in accessing needed community services. It is anticipated that these ten half-time positions would be filled with primary consumers who can provide a unique perspective on recovery and community reintegration.

Figure 98
Items Funded by DP 33410

Components	FY 2008	Percent of Total	FY 2009	Percent of Total
MH Community Liaison Officers	$335,499	57.5%	$335,499	62.7%
MSH Discharge Support	120,000	20.6%	120,000	22.4%
Develop Peer Support Plan	77,040	13.2%	28,979	5.4%
Workforce Development/Retention Study	50,687	8.7%	50,687	9.5%
Total	$583,226	100.0%	$535,165	100.0%

The second largest expenditure would fund transition services for persons leaving MSH. Funds would support time limited assistance for appropriate housing, medication, or other community resources.

Development of a peer support plan includes funds for training in the Wellness Recovery Action Plan (WRAP) and other types of support. The final component would fund a workforce study. AMDD would contract with organizations with specific expertise in the mental health area.

LFD Issues and Options

Milestones indicate that the FTE would not be hired until January 2008. The proposal funds the positions as if they were filled July 1, 2007. The legislature could consider prorating the appropriation if it approves the proposal.

Additionally, the legislature may wish to ask AMDD how persons can remain stable in the community after short term assistance is exhausted. Since the assistance may be used to purchase prescription medication and housing, continuation of these services may be integral to a person remaining healthy.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Discharge support funding for patients discharged from Montana State Hospital – Timely discharge from the Montana State Hospital can be delayed when a patient does not have the personal financial assets to access appropriate housing, medication, or other community resources. This time-limited funding can be used to bridge the gap between discharge and initiation of benefits. Continuation of medications following discharge from Montana State Hospital is a key component of successful community reintegration. Providing a limited supply of medications along with prescriptions benefits patients, families, and aftercare service providers.

- Mental health community liaison officers – There is a need for focused re-entry support services for individuals discharged from Montana State Hospital to support a successful community placement. Liaison officers would provide support to

assure that consumers are able to get to referred services and provide assistance in accessing needed community services. It is anticipated that these ten half-time positions would be filled with primary consumers who can provide a unique perspective on recovery and community reintegration. It is unclear, at this point in time, whether CMS would allow these positions to be cost allocated to Medicaid administration at the (50percent/50percent) matching rate.
- Development of peer support implementation plan – Changing the mental health system to be more responsive to consumer needs requires the participation of consumers at all levels of planning and program development. In order to strategically plan for the development and implementation of peer services, an organized consumer base must be formed. This proposal would provide funding for appropriate training and skill development for consumers and family members.
- Contracting for a workforce development and retention study – The ongoing challenges of recruitment and retention of trained personnel to work in the behavioral health field is evident across the state at all levels of skill and expertise. This proposal would provide an opportunity for representatives from across the state to meet to collaborate on quantifiable goals for workforce development in Montana.

Goals:
- Discharge support funding for patients discharged from MSH
  - Provide patients at MSH with financial resources necessary to assure timely and clinically appropriate discharge
  - Provide patients at MSH with a limited supply of prescription medications at time of discharge
- Mental health community liaison officers:
  - Provide community support for patients discharged from MSH in meeting the recommendations of the hospital discharge plan and reintegrating into the community
- Development of peer support implementation plan
  - Create an organized consumer base with the skills and abilities for meaningful participation in program planning.
- Contracting for a workforce development and retention study
  - Creation of a plan for development of a stable behavioral health workforce

Performance Criteria:
- The number of patients who have accessed funding to ensure timely and clinically appropriate discharge
- Reduction in the number of days required to discharge a patient following determination of readiness for discharge
- Reduction in re-admission rates
- The number of patients who have been provided medications at discharge
- Number of patients who have received assistance in community reintegration activities
- The number of consumers who have participated in WRAP training
- Increased consumer satisfaction with community reintegration as measured by survey
- Workforce development and retention study contract established

Milestones:
- Discharge support funding for patients discharged from MSH - implemented as soon as funding is available – July 1, 2007
- Medications for patients at discharge from MSH - implemented as soon as funding is available – July 1, 2007
- Mental health community liaison officers
- Position descriptions developed, classified, and advertised by January 2008
- Development of peer services implementation plan
- Leadership Academy for 30 consumers each fiscal year
- WRAP training (six sessions each year – 60 consumers each year)
- Contracting for a workforce development and retention study
- Contract with executed January 2008, with milestones for targeted activities
- Completion of contract June 30, 2009

FTE: The proposal funds 5.00 grade 13 FTE. The community liaison officers would be tasked with the responsibility to mentor current and recently discharged consumers, ensure these consumers are able to get to referred services and help consumers access needed community services. It is envisioned these positions may be filled by individuals with mental illness that can act in the capacity of peer specialists.

Funding: This proposal is funded with general fund. There is not a known alternative to general fund.

Obstacles:

- o Increase in cost of pharmaceuticals resulting in appropriated funding expended prior to end of fiscal year
- o Ability to recruit 10 half-time mental health community liaison officers
- o Unforeseen contracting problems for either peer support or for workforce development and retention study

Risk: The four components, either individually or as an aggregate, have been developed to enhance the potential for an individual with serious mental illness to successfully live within a community setting. Failure to provide these supportive services would result in patients remaining at MSH longer than is clinically indicated and, for some, readmissions to high-end care.

LFD COMMENT The legislature may wish to ask AMDD to specify bench marks it might consider in evaluating whether admissions to MSH have been reduced and how that reduction is specifically related to this individual proposal.

<u>DP 33413 - Federal Data Infrastructure Grant -</u> The department received a federal data infrastructure grant to continue to develop data capacity within the Mental Health Bureau. This request adds $284,400 of federal appropriation authority over the biennium including 1.00 FTE and related operating and equipment. The FTE would develop and generate routine and ad hoc reports for state planning and dissemination to the bureau, division, legislature, mental health services consumers, and other stakeholders. As new evidence based practices are implemented the analyst would process and report fidelity data. The position would be responsible for the collection and analysis of data, including determining what would be assessed, how it would be collected, and evaluating the outcomes. The position would design and complete focused statistical analysis on data to identify and explicate the consequences and effects of programs and policies.

<u>DP 33506 - Secure Treatment & Examination Program (STEP) (Requires Legislation) -</u> The executive budget includes $4,213,119 general fund for the biennium to implement STEP, a 120 bed program to serve forensic population with a severe and disabling mental illness. The request includes funding for 41.69 FTE in FY 2009 to be hired November 2008.

STEP would provide mental health and addiction treatment services for offenders who have been charged and/or convicted of criminal acts and are, by court order in a criminal proceeding, placed into the custody of either the Department of Corrections (DOC) or DPHHS for examination, treatment, incarceration, or custody. The program would include establishment of connections with family, the community, and other forces that motivate positive social behavior and provide support when people's resources are inadequate.

The Dr. Xanthopolis (Dr. X) building would be renovated to meet the security and treatment needs of the target population for the STEP program. In addition, the Receiving Hospital on the Warm Springs Campus would be renovated to accommodate the WATCh program, currently housed in the Dr. X building. Facility improvements would be completed through the Long Range Building process and it is estimated that participants may begin moving into the STEP facility in December 2008. Cost estimates have been adjusted to reflect the staggered implementation timeline for the program.

The Long Range Building Program includes a request for $5.8 million to complete the building renovations for STEP based on recommendations of a safety and security audit of the facility to ensure that the Dr. X building met the applicable safety and protection standards adopted by the American Correctional Association and DOC.

LFD COMMENT The executive budget narrative includes a December 1, 2008 target date for persons to be admitted

LFD ISSUE

Summary of Issues Related to STEP

The legislature may wish to consider several issues related to STEP discussed in the division overview. In summary those issues are:

- The full annualized cost of STEP is not available.
- The annualized number of FTE for the program is 121.50, which includes 59.00 FTE that would be transferred from MSH and the annualized number of new FTE of 62.50
- The lack of public participation in the development of STEP has precluded a robust dialogue about other alternatives that could be considered either in addition to or in place of STEP

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Mentally ill offenders have unique treatment needs. This proposal seeks to create a program that would enhance the state's ability to deliver targeted mental health and addiction treatment within a secure facility that has been designed to address the safety and wellbeing of the general public, the offenders, and the staff who would administer the program.

The STEP program would coordinate with community service providers and the Community Corrections Division of DOC to enable successful transitions to community, and would coordinate with the mental health treatment Services at Montana State Prison (MSP) and Montana Women's Prison (MWP) to enable the successful stabilization and re-entry of offenders into a less restrictive setting within the general prison population.

Goal: The goal of this proposal is to develop a program of mental health and other services tailored to the special needs of persons who have been charged and/or convicted of criminal acts and are, by court order in a criminal proceeding, placed into the custody of either the DOC or DPHHS for examination, treatment, incarceration, or custody.

- The program would mesh the treatment offenders receive at STEP with the treatment they get in prison, other corrections facilities, and the community to offer them a seamless transition as they strive to heal and improve themselves and earn opportunities to return to the community.
- The program would provide the skills necessary for some offenders, as sentencing allows, to move into the least-restrictive environment, including community corrections programs such as prerelease centers, parole, group homes or intensive supervision.
- The program would provide an opportunity for reduced lengths of stay in secure facilities for some individuals due to stabilization of health care issues and improved linkages with community services
- The program would provide a secure setting for crisis management that is difficult to offer at MSP/MWP.
- The program would provide heightened security for those patients who have been criminally charged and/or convicted, sentenced to the DPHHS, and currently placed on the Forensic Unit at MSH.

Performance Criteria: The performance of the program would measured by the collection and analysis of the following information:

- Medical records including assessment, medications prescribed, treatment provided, etc.
- Past placement in other treatment programs
- Discharge planning & follow up
- Criminal file inclusive of type of offense
- General demographic
- Comparison of historical practices of joint training, staffing patterns and data collection capabilities with actual practices in FY 2009

<u>Milestones</u>

- Establish baseline data for number of offenders served by both departments who meet the eligibility criteria for the STEP program
- Complete renovations of Receiving Hospital and Dr. Xanthopolis building to facilitate the move of the WATCh program and the opening of the STEP program by December 1, 2008.
- Establish referral policies to the STEP program, shared by both departments.

- Establish appropriate due process and disciplinary action policies for the STEP program that protect individual rights while providing treatment and security personnel with clear guidelines for addressing difficult behaviors in a challenging population of offenders.
- Establish baseline data for cross training of personnel from DOC and DPHHS

FTE: STEP would be staffed through a combination of new and existing staff at MSH. 62.50 new FTE are requested, while 59.00 existing FTE would be transferred from the hospital to STEP.

Funding: General fund is requested.

Obstacles:
- Lengthy construction and renovation timelines delay the placement of these offenders within the program for up to two years
- Philosophical differences between corrections and mental health.
- Categorical funding streams; when funding gets threatened, collaboration decreases.
- Nationally, there is a growing public policy emphasizing incarceration. The STEP program has been designed to facilitate the transition of mentally ill offenders to the least restrictive setting possible; which may conflict with public sentiment.

Risk:
- The program would offer a higher level of security for forensic patients, who are some of the most dangerous and unpredictable patients at MSH. Without this program, there is increased risk of patient elopements and potential for increased safety risks to both patients and staff.
- The program would reduce the potential for a crisis at MSP/MWP due to an inability to move inmates to appropriate housing, and staff usage would improve.
- The program would help to ease overcrowding at MSH by moving forensic patients – those judged guilty but mentally ill – to the STEP program, utilizing an existing building on the Warm Springs campus, and without this program, there is potential need to build more beds at MSH to serve a burgeoning group of forensics patients in addition to those patients who are civilly committed.
- The program would help to ease overcrowding at MSP/MWP by transferring mentally ill inmates to STEP, allowing improved management of the remaining inmates in the prison's mental health treatment unit. Dozens of inmates housed in the high-security side of the prison, who are currently eligible to move to the low-security side due to good behavior, would have space to move. Without this program, inmates would be held in high-security unnecessarily.

LFD COMMENT

The majority of reasons cited to support development of this proposal relate to DOC. However, because the departments have not determined the program referral criteria, the number of persons needing this level of treatment, and alternative ways to serve this population, the legislature cannot evaluate whether this proposal would alleviate the risks identified or be the best expenditure of funds to meet MSH needs.

It is also difficult to tell whether this proposal would be responsible for preventing the risks identified or if the risks would continue, but in a different environment. The legislature may wish to ask DPHHS and DOC to identify measurable baseline data to evaluate whether outcomes with STEP are different than outcomes related to current programs and structures. It could be difficult to separate good outcomes due to STEP from outcomes due to expansions in community services designed to reduce MSH admissions and help persons transition from STEP to the community.

<u>DP 33701 - Provider Rate Increases -</u>. This request adds $2.8 million, including $0.6 million general fund and $0.7 million from the health and Medicaid initiatives state special revenue tobacco funds, for provider rates increases.

LFD ISSUE

Executive Budget Insufficient to Fund 2.5 Percent Provider Rate Increase

The executive budget narrative says that the provider rate increase is 2.5 percent. The funding requested is sufficient to raise rates by 2.3 to 2.4 percent. Figure 96 shows the LFD calculation of the cost of a 2.5 percent provider rate compared to the executive request. The legislature would need to appropriate about $120,000 more, including $40,000 more in state funding, to support a 2.5 percent rate increase.

Sub-Program Details

ADDICTION TREATMENT & PREVENTION 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	55.25	0.00	9.00	64.25	0.00	9.00	64.25	64.25
Personal Services	2,590,400	420,273	393,043	3,403,716	449,129	395,230	3,434,759	6,838,475
Operating Expenses	1,350,903	85,894	350,342	1,787,139	138,290	1,354,521	2,843,714	4,630,853
Grants	1,392,287	0	2,000,000	3,392,287	0	2,000,000	3,392,287	6,784,574
Benefits & Claims	6,387,926	553,597	2,133,833	9,075,356	621,586	2,149,319	9,158,831	18,234,187
Debt Service	24,434	0	2,700	27,134	0	0	24,434	51,568
Total Costs	**$11,745,950**	**$1,059,764**	**$4,879,918**	**$17,685,632**	**$1,209,005**	**$5,899,070**	**$18,854,025**	**$36,539,657**
General Fund	39,854	0	2,162,338	2,202,192	(39,854)	3,162,338	3,162,338	5,364,530
State/Other Special	3,627,226	548,984	354,929	4,531,139	665,090	363,479	4,655,795	9,186,934
Federal Special	8,078,870	510,780	2,362,651	10,952,301	583,769	2,373,253	11,035,892	21,988,193
Total Funds	**$11,745,950**	**$1,059,764**	**$4,879,918**	**$17,685,632**	**$1,209,005**	**$5,899,070**	**$18,854,025**	**$36,539,657**

The addiction treatment and prevention 2009 biennium budget request grows $13.0 million compared to base budget expenditures. General fund grows substantially, from under $40,000 in base budget funding to $5.3 million general fund over the biennium. The executive budget includes $4.0 million general fund to expand community treatment for methamphetamine and chemical dependency, $1.0 million general fund for a one-time-only appropriation to support private methamphetamine prevention and education efforts, and $0.3 million for rate increases for services funded from federal block grant funds. As noted in the division funding section, historically alcohol tax has been used almost exclusively as the state funding source for chemical dependency services and the executive budget requests more alcohol tax funds than will be available to spend.

The executive request also includes funding for 9.00 new FTE for:

- MCDC staff increases – 6.00 FTE
- Federal grant funding to develop community prevention programs – 2.00 FTE
- Administer new chemical dependency and methamphetamine treatment – 1.00 FTE

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					422,841					449,995
Vacancy Savings					(120,527)					(121,616)
Inflation/Deflation					4,613					5,525
Fixed Costs					(426)					6,095
Total Statewide Present Law Adjustments					**$306,501**					**$339,999**
DP 33201 - Medicaid FMAP - Chemical Dependency	0.00	0	24,944	(24,944)	0	0.00	0	26,178	(26,178)	0
DP 33202 - CD Medicaid Caseload Adjustment	0.00	0	173,774	379,823	553,597	0.00	0	195,738	425,848	621,586
DP 33301 - MCDC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	0	117,959	0	117,959	0.00	0	120,750	0	120,750
DP 33302 - MCDC Present Law Adjustments	0.00	0	81,707	0	81,707	0.00	0	126,670	0	126,670
Total Other Present Law Adjustments	**0.00**	**$0**	**$398,384**	**$354,879**	**$753,263**	**0.00**	**$0**	**$469,336**	**$399,670**	**$869,006**
Grand Total All Present Law Adjustments					**$1,059,764**					**$1,209,005**

LFD COMMENT Present law adjustments add $2.3 million over the biennium. The major increase supports growth in Medicaid services and adds $1.2 million. Statewide present law adjustments, almost exclusively in adjustments to personal services, add $0.6 million. Other increases support overtime pay for MCDC, which is removed from base budget expenditures, and other operating cost increases for MCDC.

DP 33201 - Medicaid FMAP - Chemical Dependency - A reduction in the federal Medicaid match rate increases the amount of state special revenue necessary to maintain the chemical dependency Medicaid program. $51,122 of state special revenue appropriation authority is requested over the biennium to cover the corresponding decrease in federal Medicaid funding.

DP 33202 - CD Medicaid Caseload Adjustment - Chemical dependency Medicaid services are estimated to increase by 5 percent each year ($126,421 and $194,410, respectively in FY 2008 and FY 2009). Medicaid youth residential services are also expected to increase each year by $427,176 for new providers that were not providing these services previously. This request adds $1,175,183 total funds over the biennium including $369,512 in state special revenue (alcohol tax) and $805,671 in federal funds.

DP 33301 - MCDC OT/Diff/Holiday Pay & Aggregate FTE Funding - This request adds $238,709 over the biennium from alcohol tax state special revenue for personal services costs that have been removed from the base budget and must be reauthorized by the legislature each biennium. These services include holidays worked, overtime, differential, and physician on-call necessary to maintain minimum staffing requirements at a 24 hour a day, 7 days a week, 365 days a year facility.

DP 33302 - MCDC Present Law Adjustments - This present law adjustment requests funds for inflationary increases for pharmacy, outside medical, and facility rent and food services.

LFD ISSUE

MCDC Cost Increases

Figure 99 shows operating cost increases of this present law request as well as the new proposal to increase MCDC staff. Figure 99 shows FY 2006 base year costs, and the historic growth rate in costs from FY 2004 to FY 2006 compared to the changes requested in the executive budget.

Figure 99

Total Operating Cost Increases Requested for MCDC in PL 33302 - MCDC PL Adjustments and NP 33304 - MCDC Staff

	Rent		Food Service		Drugs		Dispensing Fee		Laboratory		General Medical		Dental	
Base/Increases	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09
FY 2006 Base	$378,727	$378,727	$361,519	$361,519	$107,547	$107,547	$74,054	$74,054	$21,201	$21,201	$8,456	$8,456	$118	$118
Annual Rate of Change from FY 2004	10.5%		1.8%		6.9%		45.3%		11.1%		-55.7%		-32.6%	
PL33302-MCDC PL Adj	15,301	23,181	22,017	33,523	22,585	35,598	15,551	24,512	4,452	7,018	1,776	2,799	25	39
NP33304-MCDC Staff	0	0	63,761	65,674	23,351	25,719	0	0	3,800	3,800	2,000	2,000	0	0
Total*	$394,028	$401,908	$447,297	$460,716	$153,483	$168,864	$89,605	$98,566	$29,453	$32,019	$12,231	$13,255	$143	$157
Annual Rate of Change from Base Budget	2.0%	2.0%	11.2%	8.4%	19.5%	16.2%	10.0%	10.0%	17.9%	14.7%	20.3%	16.2%	10.0%	10.0%

*Total does not include long distance telephone, laundry, or office supplies cost increases of $7,800 per year included in NP 33304 - MCDC Staff

Rent costs appear to be understated in the executive request, as do drug dispensing fees. The new proposal for staff anticipates an increase in population at MCDC with the new staff. It would seem logical that additional space and drug dispensing fees would be necessary. On the other hand, requested increases in dental and medical costs and food costs appear to be overstated compared to historic trends.

Option

The legislature could establish appropriation levels according to historic trends if it decides to fund this proposal.

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33203 - Meth & CD Regional Services Expansion										
02	1.00	2,000,000	0	0	2,000,000	1.00	2,000,000	0	0	2,000,000
DP 33204 - Methamphetamine Prevention - OTO										
02	0.00	0	0	0	0	0.00	1,000,000	0	0	1,000,000
DP 33206 - Strategic Prevention Framework Incentive Grant										
02	2.00	0	0	2,332,000	2,332,000	2.00	0	0	2,332,000	2,332,000
DP 33304 - MCDC Staff (Modified and Other)										
02	6.00	0	340,906	0	340,906	6.00	0	344,518	0	344,518
DP 33701 - Provider Rate Increases										
02	0.00	162,338	14,023	30,651	207,012	0.00	162,338	18,961	41,253	222,552
Total	**9.00**	**$2,162,338**	**$354,929**	**$2,362,651**	**$4,879,918**	**9.00**	**$3,162,338**	**$363,479**	**$2,373,253**	**$5,899,070**

DP 33203 - Meth & CD Regional Services Expansion – This proposal adds $4.0 million in general fund over the biennium to implement a residential treatment service to address the longer-term support needed for the recovery from methamphetamine, other drugs, and alcohol abuse. Evidence-based, patient-centered, and outcome-oriented chemical dependency interventions would be used for treatment. The population served is often individuals with a co-occurring illness, who may be in the correctional system.

LFD COMMENT

Figure 100 shows the documentation provided by AMDD for this proposal, which allocates funds among service expansions included in this proposal. The proposal would support seven treatment homes, including two for reservations, at an annual cost of $200,000 each. The homes would serve about 84 persons per year at an annual cost of $16,677 per person.

The proposal allocates $500,000 per year to purchase residential services and provide services to about 64 persons per year at an average annual cost of $7,813.

As noted in the funding section, the legislature could opt to raise alcohol taxes to fund all or part of this proposal.

Figure 100
Components of Treatment Expansion

Component	Cost	Number Served	Average Cost
Treatment Homes			
Five General Population	$1,000,000		
Two Reservations	400,000		
Total Treatment Homes	$1,400,000	84	$16,667
Residential Bed Days	$500,000	64	$7,813
Total	$1,900,000	148	

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Montana lacks the intermediate, longer-term level of care that would enable a safe living environment for individuals needing treatment to move to both directions in the continuum. Often, individuals needing continued treatment are returned to the very environments that enabled their addictions and recovery ceases. In order to ensure individuals have a successful treatment episode, it is imperative that evidence-based treatment services are available throughout the continuum of care to address individual needs.

Goal: Provide Montanans who have been identified with a methamphetamine or other substance abuse problem with needed supportive living and community-based residential treatment services. Through a request for proposals (RFP), implement five community and two reservation residential treatment programs that would each provide intensive outpatient treatment services and daily living skills training to eight individuals. An average of nine months of treatment would be necessary for this service which would enable the treatment of approximately 84 individuals per year. It is estimated that the cost of operating each treatment home would be about $200,000 per year.

Additionally, the proposal seeks funding for an eight bed treatment facility that would serve the most difficult patients transitioning to one of the seven residential treatment homes. These individuals, generally, would require more intensive medical monitoring than would be available in one of the seven residential facilities, but do not need more intensive inpatient services, such as those provided by the MCDC or other private inpatient treatment programs. The request assumes that each of these beds would be used an average of 45 days and would, therefore, serve approximately 64 people per year. It is estimated that it would cost approximately $500,000 per year to operate this facility due to the more increased medical model required for this level of care.

Performance Criteria: Program outcomes would be closely monitored and would include such items as:

- Increase in the length of time of non-use
- Decrease in the number of encounters with law enforcement
- Decrease in the admissions to inpatient treatment
- Increase in the length of gainful employment

Milestones:

- January 2007 – establish a workgroup to develop residential evidence-based care standards and performance/outcome criteria.
- April 2007 – An RFP developed and released for both supportive living and community-based residential treatment services
- May 2007 – Award proposals
- July 2007 – Implement programs

FTE: 1.00 grade 15 FTE would be required to monitor and assist with the management of this program.

Funding: Funding of this program would require general fund as other funding alternatives do not exist.

Obstacles:

- Availability and expertise of qualified treatment workforce
- Availability of homes or physical locations to support such service

Risk: Current treatment dollars cannot provide additional long-term treatment needed to address the individual needs of methamphetamine and other drug users, individuals with co-occurring disorders and the correctional population. This group would continue to be without necessary services or would be on waiting lists for services.

LFD COMMENT The performance criteria are measurable, but not do provide a way for the legislature to know if the program has met its goals. The legislature may wish to ask whether the AMDD anticipates a certain level of change or would measure the level of change for this proposal against treatment outcomes of a different type of service.

DP 33204 - Methamphetamine Prevention - OTO - This proposal adds $1.0 million to continue the goal of preventing meth use by use of a media campaign such as the Montana Meth Project. This project is focused on advertising in Montana -- involving television, newspapers, radio, billboards and movie screens – to focus attention of the negative impact to people, families, and communities through the use of methamphetamine. This funding would assist in sustaining the private on going effort to call attention to this issue through concentrated media exposure. The request is for one-time-only funding in the second year of the biennium.

LFD COMMENT The legislature may wish to ask AMDD what types of outcomes it could expect from this proposal and how the expenditure of $1.0 million general fund would be evaluated.

DP 33206 - Strategic Prevention Framework Incentive Grant - This proposal requests $4.6 million in federal funding for the biennium to implement the State Prevention Framework-State Incentive Grant. This grant focuses on infrastructure and capacity building at state and community levels to deliver and sustain effective substance abuse prevention services. Two FTE would be required to monitor and assist with the management of this grant. The FTE would be responsible for the implementation of the grant, day to day activities, performance monitoring, and training for providers. The funding would also provide for data collection and analysis, personnel training, and the development of state certification criteria for prevention specialists, among other activities. The division would allocate funding to individual communities to implement evidence-based prevention programs.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Montana youth have the second highest rate of illicit drug use, the sixth highest rate of tobacco use and the fourth highest rate of alcohol use in all 50 states (2002 Prevention Needs Assessment & 2003 Youth Risk Behavioral Survey). The state needs enhanced infrastructure for substance abuse prevention services to avoid collecting the same data sets, unite state and local prevention efforts, and address cultural differences.

Goals: The long-term goals of the grant are to:

- Build prevention capacity and infrastructure at the state and community levels
- Reduce substance abuse-related problems in communities
- Prevent the onset and reduce the progression of substance abuse including childhood and underage drinking

Performance Criteria: Program outcomes would be closely monitored and would include such items as:

- Increase in the number of evidence based prevention programs
- Decrease in the number of incidences of alcohol, tobacco and other drugs activities as identified by the Epidemiological Work Group
- Increase in the number of trained people to implement prevention
- Increase in number/content of memorandums of agreements with state agencies to ensure prevention efforts are implemented to support each agency's efforts.

Milestones: Major milestones include:

- Epidemiological workgroup first meeting: October 2006
- Advisory Task Force first meeting: January 2007
- Publication of "State of Kids", youth substance abuse epidemiological report: June 2007
- Training of community trainers by June 2007
- The implementation of an identification and referral procedure/system by June 2008
- Development of "data training" curriculum that teaches community specialists how to use the
- "State of Kids" report in their communities: June 2007

FTE: The proposal funds 2.00 FTE who would be responsible for the implementation of the grant, day to day activities, performance monitoring and training for providers

Funding: The proposal is fully funded from a federal grant. There is no matching requirement or future commitment of general fund.

Obstacles:

- Territorial barriers exist between prevention programs—both at the state and community level.
- Geographical barriers because the distribution of population across the state usually drives prevention funding but many of our small communities still need to have prevention services available.

Risk: Without implementation of the grant, the state could fail to create a unified statewide substance abuse prevention program that partners state agencies with local communities, providing effective and sustainable interventions for youth substance abuse. Without this effort, Montana would continue to experience unreasonably high rates of drug use.

LFD COMMENT

This federal grant will not provide funds to continue projects initiated under this proposal. The legislature may wish to ask AMDD how it believes projects initiated under this grant will continue.

The performance criteria are not measurable and it is unclear how this proposal ties into the previous proposal for $1.0 million general fund to provide education about and help prevent meth use.

DP 33304 - MCDC Staff (Modified and Other) - This new proposal requests continuation of 6.00 modified FTE added in FY 2007 due to patient and staff safety issues. Operating costs and equipment are also requested. The proposal adds $685,424 of liquor tax state special revenue over the biennium.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: MCDC is a sub-acute care facility with a 76-bed capacity providing treatment to individuals who are significantly compromised by virtue of interrelated physical, mental and addictive disorders and dysfunction. This complex treatment has been accomplished with 48.25 FTE on a 24-7-365 schedule, serving between 700-800 patients per year. This is extremely inadequate to address the myriad of issues arising daily and to provide safety for both patients and staff. Over 80 percent of our patients have some level of legal involvement from the relatively benign to serious and violent, 100 percent are withdrawing from substances, 70 percent have identifiable psychiatric disorders, and approximately 75 percent have medical disorders ranging from the routine to life-threatening. Treatment is complex and requires skilled professional intervention coupled with paraprofessional milieu and therapeutic management.

Without adequate staffing, treatment and recovery are compromised, patient access to treatment is reduced, retention in treatment is at risk and patient/staff safety risks are increased. This proposal includes approval of 6.00 modified FTE added in FY 2007.

Goal(s):

- Increase patient access to treatment;
- Increase patient retention in treatment ; and
- Increase staff-to-patient ratio and the hours of active staff to patient interactions.

Performance Criteria: MCDC would use the Totally Integrated Electronic Record (TIER) database to track goals. A graphic format would be utilized to evidence trends of data to reflect the impact of increased staffing patterns.

- MCDC would achieve a 5.0 percent increase, in the first year following implementation, of the number of patients admitted to treatment;
- Patient retention in treatment would achieve an annual 5 percent reduction in patients leaving treatment early by the categories of Against Medical Advice (AMA) or At Staff Request (ASR) in the first year following implementation; and
- The staff-to-patient ratio would be evidenced immediately upon hire of new staff, and increased proportionately to the amount of staff hired, with more staff being assigned to the lighter staffed shifts; i.e. afternoons, nights and weekends. The amount of time treatment professionals can spend with clients would increase by 10 percent.

Milestones:

- Retain the 6.00 FTE hired in FY 2007

FTE:

- 6.0 FTE – 1.00 FTE licensed addiction counselor – responsible for providing addiction counseling services; 5.00 FTE treatment specialists – responsible for milieu management of patients and providing defined therapeutic services.

Funding: State special revenue alcohol tax.

Obstacles: Recruitment and retention of staff have historically been difficult in a labor market area that is very wage competitive.

Risk: Safety to staff and patients and effective clinical treatment interventions would be, and have been, compromised by not having adequate staffing for the very complex patients being served at MCDC. As the single state inpatient treatment facility for this particular population of Montana citizens, it is imperative that MCDC reduce risk and be effective in its treatment to minimize cost shifting to other government and private entities such as prisons and hospitals.

LFD COMMENT The legislature may wish to discuss with AMMD how the milestones could be strengthened to address the performance criteria.

DP 33701 - Provider Rate Increases - The executive budget includes $0.4 million, with $0.3 million general fund, for a provider rate increase. The state funding portion is paid from general fund for providers funded with the federal Substance Abuse, Prevention, and Treatment block grant. State matching funds for Medicaid provider rate increases are from the health and Medicaid initiatives account.

LFD COMMENT The legislature could consider raising alcohol taxes to fund provider rate increases from the alcohol tax funds instead of the general fund or health and Medicaid initiatives account. This option is discussed more thoroughly in the division funding section.

Sub-Program Details

AMDD DIVISION ADMIN 03

Sub-Program Proposed Budget

The following table summarizes the total executive budget proposal for this sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	13.00	0.00	1.00	14.00	0.00	1.00	14.00	14.00
Personal Services	817,025	(13,173)	66,784	870,636	(9,339)	66,874	874,560	1,745,196
Operating Expenses	227,069	41,761	12,700	281,530	47,817	12,700	287,586	569,116
Debt Service	7,550	0	0	7,550	0	0	7,550	15,100
Total Costs	**$1,051,644**	**$28,588**	**$79,484**	**$1,159,716**	**$38,478**	**$79,574**	**$1,169,696**	**$2,329,412**
General Fund	462,178	15,708	0	477,886	22,561	0	484,739	962,625
State/Other Special	88,702	1,631	79,484	169,817	2,211	79,574	170,487	340,304
Federal Special	500,764	11,249	0	512,013	13,706	0	514,470	1,026,483
Total Funds	**$1,051,644**	**$28,588**	**$79,484**	**$1,159,716**	**$38,478**	**$79,574**	**$1,169,696**	**$2,329,412**

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Division administration costs grow about $109,000 per year, including about $38,000 general fund over the biennium. The most significant increase is a request for about $160,000 state special revenue funds to continue 1.00 FTE who coordinates mental health treatment modalities between DOC and AMDD and other joint projects. Other operating cost increases are allocated among all funding sources.

Present Law Adjustments	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					20,321					24,314
Vacancy Savings					(33,494)					(33,653)
Inflation/Deflation					1,418					1,474
Fixed Costs					(7,657)					(7,657)
Total Statewide Present Law Adjustments					**($19,412)**					**($15,522)**
DP 33101 - AMDD Operations Present Law Adjustments	0.00	23,708	4,631	19,661	48,000	0.00	26,671	5,211	22,118	54,000
Total Other Present Law Adjustments	**0.00**	**$23,708**	**$4,631**	**$19,661**	**$48,000**	**0.00**	**$26,671**	**$5,211**	**$22,118**	**$54,000**
Grand Total All Present Law Adjustments					**$28,588**					**$38,478**

<u>DP 33101 - AMDD Operations Present Law Adjustments -</u> This request includes a number of operating cost increases to maintain electronic records for facilities, travel, office supplies, dues, photocopying, minor office equipment, video conferencing and printing. The most significant increases funded in this request are:

- Rent for the Helena office building - $11,000 for FY 2008 and $15,000 for FY 2009, compared to base budget expenditures of $114,686
- Consulting and professional services to maintain electronic records for facilities - $15,000 in FY 2008 and $16,000 in FY 2009

- Minor equipment, including computer equipment - $6,000 per year
- Office supplies, printing, and photocopying services - $6,000 per year
- Travel - $4,000 per year
- Dues, meeting and conference costs - $3,000 per year
- Two way video and postage - $2,000 per year

New Proposals

New Proposals	Fiscal 2008					Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33104 - Behavioral Health Program Facilitator										
03	1.00	0	79,484	0	79,484	1.00	0	79,574	0	79,574
Total	**1.00**	**$0**	**$79,484**	**$0**	**$79,484**	**1.00**	**$0**	**$79,574**	**$0**	**$79,574**

DP 33104 - Behavioral Health Program Facilitator - This proposal requests continuation of a shared position between AMDD and Department of Corrections (DOC). AMDD provides 1.00 FTE to coordinate treatment modality between agencies, while DOC provides funding of position and related operational costs, such as travel and supplies. The departments have a signed memorandum of understanding and DOC is charged for actual expenditures incurred. This request is for state special revenue authority for $159,058 over the biennium.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal would continue development of a consistent, evidence based treatment strategy and modality across the DOC and DPHHS. This position continues a process that was begun in July 2006 through a cooperative agreement between the departments. The previous failure of these systems to connect had the potential of effectively endangering lives, wasting money, and threatening public safety – frustrating crime victims, consumers, family members and communities in general.

Goals:

- Coordinate services by acting as a liaison among different systems
- Promote and facilitate partnerships between the criminal justice and mental healthcare systems through effective policy development
- Promote regular communication among participating agencies through the convening of periodic meetings and other coordinating activities
- Gather system wide data on the designated target population and build information sharing networks across departments
- Identify and cultivate opportunities for sharing of resources among partners, eliminating the duplication of services where possible

The goals fit both departments' missions by developing programs for adult and juvenile offenders who also have a serious mental illness and/or a co-occurring substance use disorder.

Performance Criteria:

- The first draft of a strategic plan to implement a mental healthcare system seamlessly between the departments would be submitted for review by January 1, 2007. It would be developed with input from each department.
- A needs analysis of department information sharing would be coordinated and an initial draft recommending a plan on how to improve the flow of information between the departments would be submitted by December 1, 2007.
- Clinical and other data requirements would be defined and developed to track the treatment provided to the corrections population. The treatment would involve the integration of evidence based evaluation, assessment and treatment protocols that are consistent across the two departments. This would facilitate the transition across systems as an offender moves along.

Milestones: The final strategic plan would be completed and signed and approved by the directors of each department by July 1, 2008. Data would be analyzed and complied in a report to the directors by August 2008.

FTE: The incumbent in the position was hired on July 17, 2006.

Funding: If approved, this budget request would make the position a permanent position and provide the authority to receive funding from the Department of Corrections for the cost the position and related operating expenses.

Obstacles: Organizations are often at times reluctant to change. The departments sometimes face competing goals. The behavioral health facilitator would determine the best way to overcome challenges.

Risk: Without the position there would continue to be a duplication of services resulting in overall higher costs by both departments, less successful treatment outcomes for offenders without utilization of evidence based practices across systems, lack of coordination means offenders are not able to transition to community based services effectively, thereby increasing risk for recidivism and return to secure care.

LFD COMMENT

The performance criteria do not enable the legislature to evaluate whether evidence based mental health services and treatment modalities are implemented or whether the risks are offset even if the position is funded.

Glossary / Acronyms / Index

www.leg.mt.gov/css/fiscal

Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

Biennial – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium.

Budget amendment – See "Budget Amendment" below.

Continuing – An appropriation that continues beyond one biennium.

Language – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.

Line Item – An appropriation made for a specific purpose and which cannot be used for any other purpose. Line item appropriations highlight certain appropriations and ensure that they can be separately tracked on the state accounting system.

One-time – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.

Restricted – An appropriation designated for a specific purpose or function.

Statutory – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.

Temporary - An appropriation authorized by the legislature in the general appropriations act or in a "cat and dog" bill that is valid only for the biennium.

Appropriation Transfers (also see "Supplemental Appropriation") – The transfer of funds appropriated for the second year of the biennium to the first if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- The Governor or his/her designated representative for executive branch agencies
- The Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies
- The Speaker of the House of Representatives for the House;
- The President of the Senate for the Senate
- The appropriate standing legislative committees or designated representative for the legislative branch divisions
- The Board of Regents of Higher Education or their designated representative for the university system

Average Daily Population (ADP) – The population measure used to calculate population in the Montana correctional system. ADP is equivalent to one inmate incarcerated for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. Fiscal year 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services.).

FTE – Full-Time Equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period.

Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity who will perform a service.

HB 2 –The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each $1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

> *Capital projects fund* – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.
>
> *Fiduciary funds* – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services –Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a "snapshot" of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

> *Enterprise funds* – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.
>
> *Internal service funds*- Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state's accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

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